SOUTHWEST OPEN SCHOOL

Independent Accountants' Reports
and
Basic Financial Statements

June 30, 2021

SOUTHWEST OPEN SCHOOL

TABLE OF CONTENTS
June 30, 2021

Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Southwest Open School
Cortez, Colorado 81321

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Southwest Open School, component unit of Montezuma County (Cortez) School District RE-1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate fund information of the Southwest Open School, component unit of Montezuma County (Cortez) School District RE-1, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Southwest Open School, component unit of Montezuma County (Cortez) School District RE-1 basic financial statements. The Capital Projects Fund budgetary comparison schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Majors and Haley, P.C.

Majors and Haley, P.C.
November 19, 2021

MANAGEMENT'S DISUSSION AND ANALYSIS

Our discussion and analysis of the Southwest Open School, Colorado ("School") financial performance provides an overview of the School's financial activities for the fiscal year ended June 30, 2021. Please consider the information presented here in conjunction with additional information that can be found in the basic financial statements, which begin on page 14.

FINANCIAL HIGHLIGHTS

- The School's net position increased by $768,079. This increase was largely the result of the School's share of PERA's pension benefit which totaled $664,505.

- The School's total revenue was $1,839,307, which is a increase of $172,309 from $1,666,998 in the prior year.

  - General revenues (primarily the per pupil charter school allocation of $1,030,577) accounted for $1,092,075 in revenue, or 59.4% of all revenues. Program specific revenues in the form of charges for services and grants accounted for $747,232, or the remaining 40.6%.

- The School incurred $1,071,228 in expenses which is a decrease of $30,412 from $1,101,640 in the prior year.
-
  - The general revenues of $1,092,075 were adequate to cover all of the $1,071,228 in expenditures that were not offset by program specific revenues.

- The General Fund reported a $118,643 increase in fund balance from $833,556 in the prior year to $952,199. This is a 14.2% increase.

  - General Fund revenues decreased $65,482 from $1,222,169 in the prior year to $1,156,687 for a 5.4% decrease.
  - General Fund expenditures decreased $75,827 from $1,113,871 in the prior year to $1,038,044 for a 6.8% decrease.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. Management's Discussion and Analysis is intended to serve as an introduction to the School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements are comprised of three components.

- School-wide financial statements.
- Fund financial statements.
- Notes to the basic financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

School-wide Financial Statements

The School-wide financial statements are designed to provide the reader of the School's Annual Financial Report a broad overview of the financial activities in a manner similar to a private sector business. The school-wide financial statements include the Statement of Net Position and the Statement of Activities.

- The Statement of Net Position presents information about all of the School's assets, liabilities and deferred inflows, with the difference reported as net position.

- The Statement of Activities presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the Statement of Activities when the underlying event occurs, regardless of the timing of related cash flow. Thus, all of the revenues and expenses are taken into account regardless of when cash is received or paid.

The School-wide financial statements are one way to measure the School's financial health, or financial position.

- Over time, increases or decreases in the School's net position are an indicator of whether its financial health is improving or deteriorating.

- To assess the School's overall health, you need to consider additional non-financial factors such as changes in the School's student counts, and the condition of school facilities.

In the School-wide financial statements, the School's activities are presented in the following categories:

- **Governmental activities –** All of the School's basic services are included here, such as instruction, students, operations and maintenance, and administration. These activities are financed mainly through general revenues (per pupil charter school allocation from Montezuma County (Cortez) School District RE-1 and Impact Aid).

Fund Financial Statements

The fund financial statements provide more detailed information about the School's funds, focusing on its most significant or "major" funds, not the School as a whole. Funds are accounting devices the School uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the School establishes other funds to help it manage and control its finances to achieve certain results.

The School uses one type of fund:

- ***Governmental funds -*** All of the School's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the School's programs. Because this information does not encompass the additional long-term focus of the School-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.

FINANCIAL ANALYSIS OF THE SCHOOL AS A WHOLE

As noted previously, net position may serve over time as a useful indicator of a government's financial position. For the year ended June 30, 2021 the School's liabilities and deferred inflows were more than its assets and deferred outflows by $456,834. The negative balance is due to the implementation of GASB 68 and 75, resulting in a net pension liability of $1,963,309 and a net OPEB liability of $71,368 representing its proportionate share of the state retirement system plan. Current year activities increased the net position by $768,079. $45,000 of the total net position is restricted for emergencies required to comply with the Tabor amendment.

The following table provides a summary of the Statement of Net Position for governmental activities as of June 30, 2021 and 2020.

Table 1

Comparative Summary Statement of Net Position
At June 30

	Governmental Activities	
	2021	2020
Assets		
Current assets	$ 1,409,382	$ 1,391,107
Capital assets, net of depreciation	774,597	742,764
Total assets	2,183,979	2,133,871
Deferred Outflows of Resources	688,968	868,777
Liabilities		
Current liabilities	143,447	188,452
Noncurrent liabilities	2,034,677	1,853,497
Total liabilities	2,178,124	2,041,949
Deferred Inflows of Resources	1,151,657	2,166,921
Net Position		
Invested in capital asset	774,597	742,764
Restricted	358,736	414,099
Unrestricted	(1,590,167)	(2,381,776)
Total net position	$ (456,834)	$ (1,224,913)

At the close of the most recent fiscal year current assets comprised $1,409,382 (64.5%) of the School's assets. The investments in capital assets, less depreciation was $774,597. There was an increase in total assets from $2,133,871 in the prior year to $2,183,979. Accrued wages and benefits represent 76% of the total current liabilities. Accrued wages and benefits occur when teachers and certain other School employees' work nine or ten months of the year, but are paid over a full twelve months. Current liabilities decreased from $188,452 in the prior year to $143,447. Deferred outflows of resources net of deferred inflows of resources decreased $835,455.

The following table provides a summary of Changes Net Position for governmental activities in fiscal year 2021 and 2020.

Table 2

Comparative Summary of Changes in Net Position
For the Year Ending June 30

	Governmental Activities	
	2021	2020
Revenues		
Program revenues		
Charges for services	$ 36,249	$ 108,052
Operating grants and contributions	671,045	459,806
Capital grants and contributions	39,938	33,601
General revenues		
Per pupil charter school allocation	1,030,577	991,299
Impact Aid	38,985	39,982
Other	22,513	34,258
Total revenues	1,839,307	1,666,998
Expenses		
Instruction	323,373	410,440
Students	492,061	402,876
Instructional staff	11,774	12,112
General administration	40,038	45,505
School administration	29,456	65,623
Business	8,818	26,710
Operations and maintenance of plant	83,348	68,001
Student transportation	13,565	5,262
Central	25,059	23,954
Facilities acquisition	5,570	3,739
Unallocated depreciation	38,166	37,418
Total expenses	1,071,228	1,101,640
Increase (decrease) in net position	$ 768,079	$ 565,358

Per pupil charter school allocation accounted for most of the School's total revenue, contributing 56 percent. Another 39 percent came from state and federal grants and the remainder from miscellaneous sources. See Table 3.

The School's expenses are predominately related to instruction at 30.2 percent and. students and instructional staff 47%, administration and business accounted for 7.3 percent and operations and maintenance of plant made up 7.8%. See Table 4.

Table 3
Sources of Revenue for Fiscal Year 2021

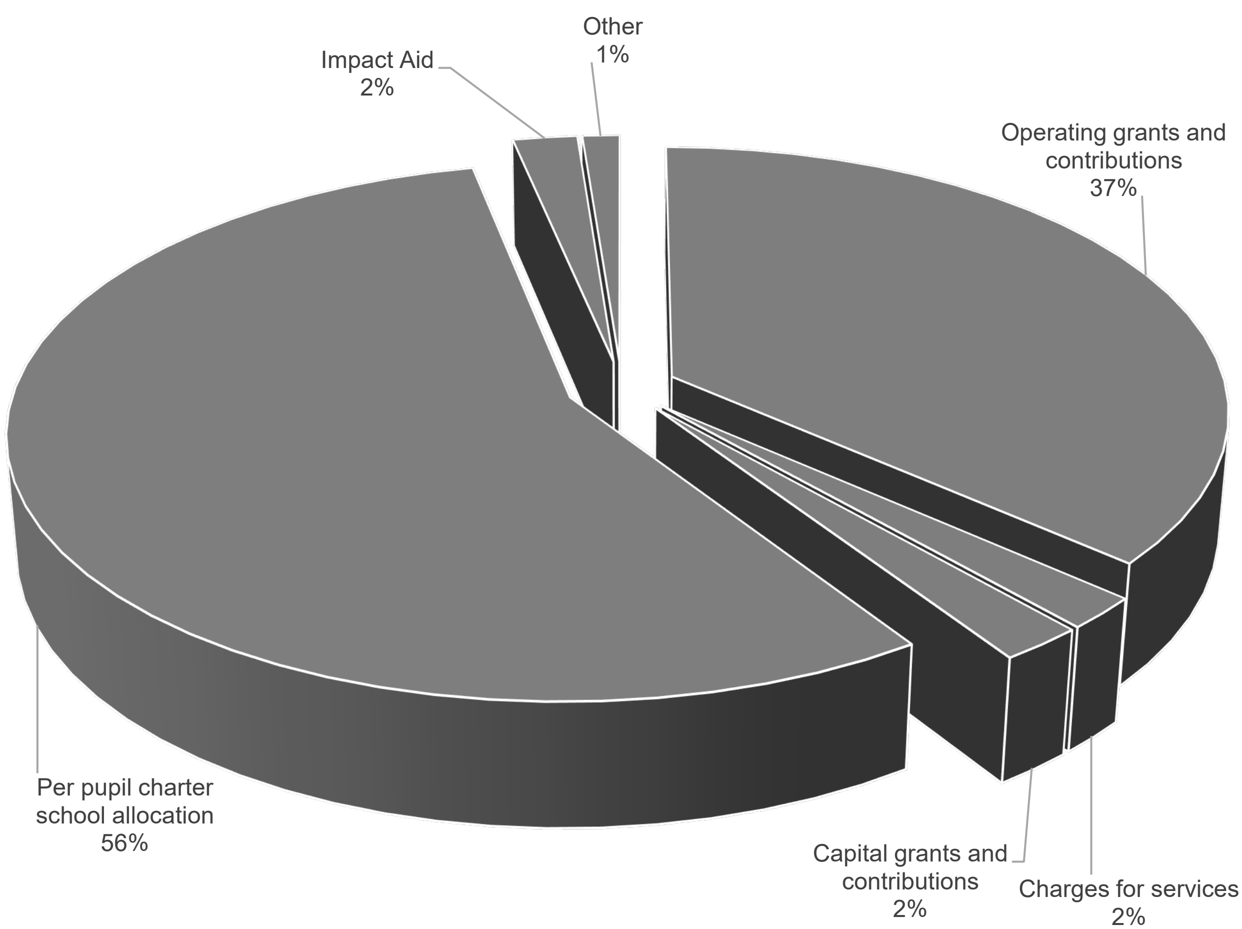
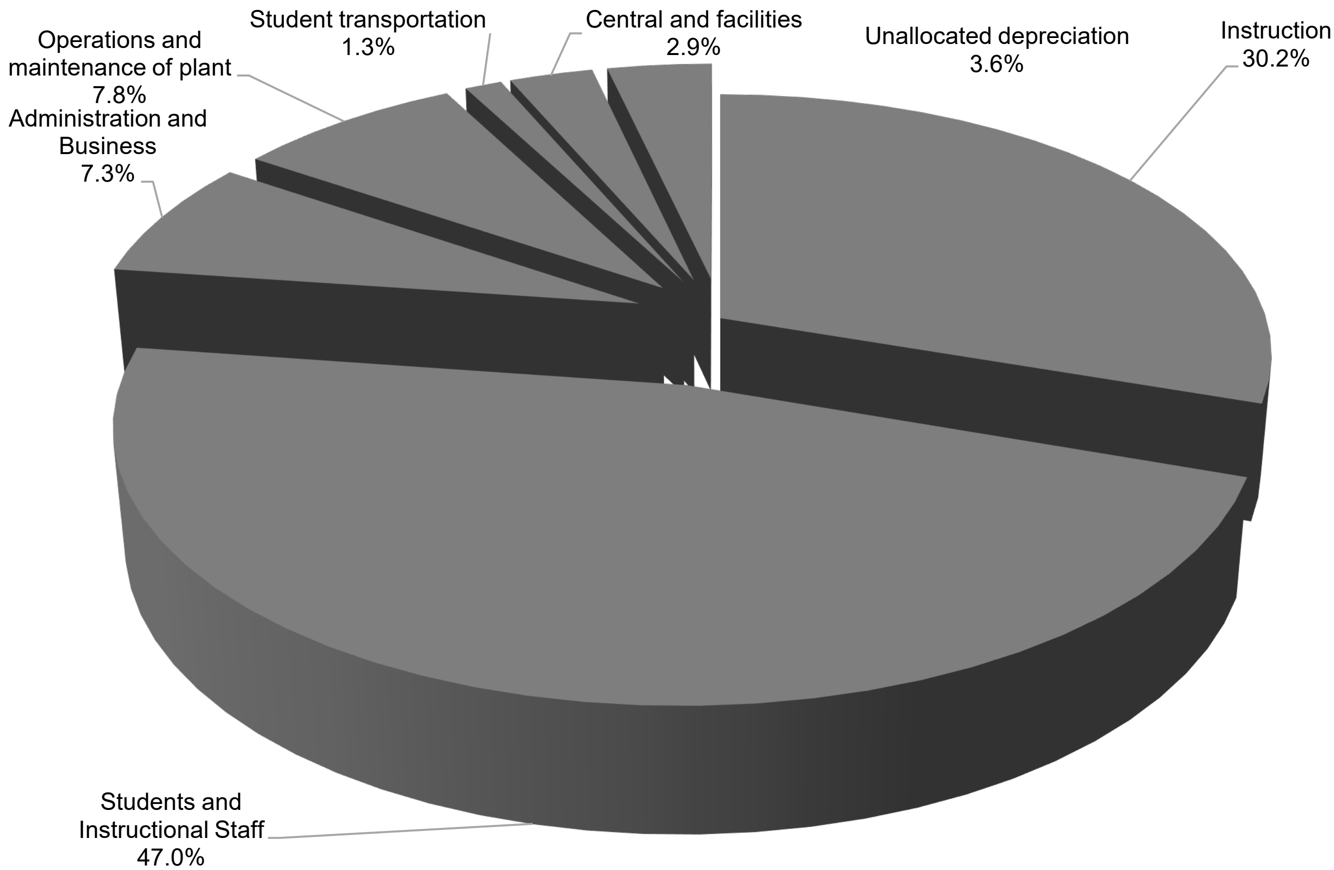


Table 4
Expenses for Fiscal Year 2021



Governmental Activities

The primary source of operating revenue for the School comes from per pupil charter school allocation ($1,030,577) from Montezuma County (Cortez) School District RE-1. The School received $7,807 per funded student. In fiscal year 2021 the funded pupil count was 132. Funding for the charter school allocation comes from property taxes, specific ownership taxes and state equalization.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by the per pupil charter school allocation.

Table 5

Governmental Activities Net Cost of Services

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Instruction	$ 323,373	$ 410,440	$ 86,073	$ 320,588
Students	492,061	402,876	39,932	(75,130)
Instructional staff	11,774	12,112	11,774	12,112
General administration	40,038	45,505	40,038	45,505
School administration	29,456	65,623	29,456	65,623
Business	8,818	26,710	8,818	26,710
Operations and maintenance of plant	83,348	68,001	50,907	57,207
Student transportation	13,565	5,262	12,473	5,262
Central	25,059	23,954	25,059	23,954
Facilities acquisition	5,570	3,739	(18,700)	(19,068)
Unallocated depreciation	38,166	37,418	38,166	37,418
Total	$1,071,228	$1,101,640	$ 323,996	$ 500,181

- The cost of all governmental activities during the year was $1,071,228.
- Federal and state government subsidized certain programs with grants and contributions ($710,983).
- However, most of the School's costs ($1,030,577) were financed by per pupil charter school allocations.

FINANCIAL ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's major governmental funds include the General Fund, Governmental Designed-Purpose Grants Fund and the Capital Projects Fund under GASB 34 reporting requirements. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of $1,839,307 and expenditures of $1,776,027.

General Fund Budgetary Highlights

The School's budget process is consistent with current Colorado statutes that require a proposed budget be presented to the Board of Education by June 1, with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through December 31st of each year. The most significant budgeted fund is the General Fund.

Over the course of the year, the School revised the annual operating budget by making an increase in appropriations.

- Increases in appropriations were primarily the result of additional information that was obtained after the time the original budget was prepared.

- Actual expenditures were $954,659 below budget.

CAPITAL ASSET ADMINISTRATION

By the end of fiscal year 2021, the School has invested $1,168,312 in buildings and vehicles.

Table 6 shows capital assets for 2021 compared to 2020:

Table 6
Capital Assets
At June 30

	Governmental Activities	
	2021	2020
Buildings	$1,187,012	$1,168,312
Vehicles	58,628	
Accumulated Depreciation	(471,043)	(425,548)
Total	$ 774,597	$ 742,764

Additional information on the School's capital assets can be found in Note 3 on page 26 of this report.

FACTORS BEARING ON THE SCHOOL'S FUTURE

At the time these financial statements were prepared and audited, the School is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT

This financial report is designed to provide the School's citizens, taxpayers, parents, and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Southwest Open School; 401 North Dolores Road; Cortez, Colorado 81321.

SOUTHWEST OPEN SCHOOL
Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash	$ 1,321,086
Grants receivable	84,983
Due from school district	3,313
Capital assets, net of depreciation	774,597
Total Assets	2,183,979
Deferred Outflows of Resources	
Pension items, net of accumulated amortization	684,047
OPEB items, net of accumulated amortization	4,921
Total Deferred Outflows of Resources	688,968
Liabilities	
Accrued salaries and benefits payable	109,331
Due to school district	28,767
Unearned grant revenue	5,349
Noncurrent liabilities	
Net pension liability	1,963,309
Net OPEB liability	71,368
Total Liabilities	2,178,124
Deferred Inflows of Resources	
Pension items, net of accumulated amortization	1,115,584
OPEB items, net of accumulated amortization	36,073
Total Deferred Inflows of Resources	1,151,657
Net Position	
Net investment in capital assets	774,597
Restricted	
TABOR	45,000
Capital projects	313,736
Unrestricted	(1,590,167)
Total Net Position	$ (456,834)

The accompanying notes are an integral part of this statement

SOUTHWEST OPEN SCHOOL
Statement of Activities

For the Year Ended June 30, 2021

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue And Changes in Net Position — Governmental Activities
Governmental Activities					
Instructional Program Services	$ 323,373		$ 237,300		$ (86,073)
Support Program Services					
Students	492,061	$ 36,249	415,880		(39,932)
Instructional staff	11,774				(11,774)
General administration	40,038				(40,038)
School administration	29,456				(29,456)
Business	8,818				(8,818)
Plant operation and maintenance	83,348		16,773	$ 15,668	(50,907)
Student transportation	13,565		1,092		(12,473)
Central support services	25,059				(25,059)
Facilities acquisition	5,570			24,270	18,700
Depreciation excluding amounts directly allocated to programs	38,166				(38,166)
Total Governmental Activities	1,071,228	36,249	671,045	39,938	(323,996)
Total School	$ 1,071,228	$ 36,249	$ 671,045	$ 39,938	(323,996)

General Revenues	
Per pupil charter school allocation	1,030,577
Intergovernmental	
Impact Aid	38,985
Miscellaneous	22,513
Total General Revenues	1,092,075
Changes in Net Position	768,079
Net Position Beginning of the Year	(1,224,913)
Net Position End of the Year	$ (456,834)

The accompanying notes are an integral part of this statement

SOUTHWEST OPEN SCHOOL
Balance Sheet
Governmental Funds

June 30, 2021

	General Fund	Governmental Designated-Purpose Grants Fund	Capital Projects Fund	Total Governmental Funds
Assets				
Cash	$ 1,010,663		$ 310,423	$ 1,321,086
Due from other funds	70,652	$ (70,652)		-
Due from school district			3,313	3,313
Grants accounts receivable		84,983		84,983
Total Assets	$ 1,081,315	$ 14,331	$ 313,736	$ 1,409,382
Liabilities				
Due to school district	$ 28,767			$ 28,767
Unearned grant revenue		$ 5,349		5,349
Accrued salaries and benefits payable	100,349	8,982		109,331
Total Liabilities	129,116	14,331		143,447
Fund Balances				
Restricted				
Tabor	45,000			45,000
Capital projects			$ 313,736	313,736
Unrestricted				
Assigned for next year's expenditures	907,199			907,199
Total Fund Balances	952,199	-	313,736	1,265,935
Total Liabilities and Fund Balances	$ 1,081,315	$ 14,331	$ 313,736	$ 1,409,382

Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position

Total Fund Balance Governmental Funds		$ 1,265,935
Amounts reported for governmental activities in the Statement of Net Position are different because		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		
Capital assets	$ 1,245,640	
Accumulated depreciation	(471,043)	
		774,597
Long-term liabilities and related items, including net pension and OPEB liability, deferred outflows of resources and deferred inflows of resources, are not due and payable in the current year, and, therefore, are not reported in governmental funds.		
Net pension obligation	(1,963,309)	
Net OPEB obligation	(71,368)	
Deferred outflows of resources related to pensions - net	684,047	
Deferred outflows of resources related to OPEB - net	4,921	
Deferred inflows of resources related to pensions - net	(1,115,584)	
Deferred inflows of resources related to OPEB - net	(36,073)	
		(2,497,366)
Total Net Position Governmental Activities		$ (456,834)

The accompanying notes are an integral part of this statement

SOUTHWEST OPEN SCHOOL
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2021

	General Fund	Governmental Designated-Purpose Grants Fund	Capital Projects Fund	Total Governmental Funds
Revenues				
Per pupil charter school allocation	$ 1,030,577			$ 1,030,577
Local and Intermediate sources	55,497	$ 69,081	$ 3,265	127,843
State sources	31,628	371,880	39,938	443,446
Federal sources	38,985	198,456		237,441
Total Revenues	1,156,687	639,417	43,203	1,839,307
Expenditures				
Instructional Program	611,548	205,672		817,220
Support Programs				
Students	76,181	415,880		492,061
Instructional staff	11,774			11,774
General administration	40,038			40,038
School administration	125,686			125,686
Business	73,678			73,678
Operation and maintenance of plant	68,936	16,773	15,668	101,377
Student transportation	5,144	1,092	58,628	64,864
Central	25,059			25,059
Facilities acquisition			24,270	24,270
Total Expenditures	1,038,044	639,417	98,566	1,776,027
Other financing sources (uses)				
Transfers in (out)				-
Total other financing sources (uses)	-	-	-	-
Exess of revenues and other financing sources over (under) expenditures and other financing uses	118,643	-	(55,363)	63,280
Fund Balances beginning of the year	833,556	-	369,099	1,202,655
Fund Balances end of the year	$ 952,199	$ -	$ 313,736	$ 1,265,935

The accompanying notes are an integral part of this statement

SOUTHWEST OPEN SCHOOL
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2021

Net Change in Fund Balances Governmental Funds			$	63,280
Amounts reported for governmental activities in the statement of activities are different because				
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period:				
Depreciation expense	$	(45,495)		
Capital outlay		77,328		
				31,833
Governmental funds expenditures related to pensions and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the Statement of Activities, they are measured on the full accrual basis. This amount represents the change in net pension liability, net OPEB liability, pension and OPEB related deferred outflows and inflows of resources.				
Pension contributions		133,149		
Cost of pension benefits earned net of employee contributions		531,356		
Support from the State of Colorado		-		
OPEB contributions		6,831		
Cost of OPEB benefits earned net of employee contributions		1,630		
				672,966
Change in Net Position of Governmental Activities			$	768,079

The accompanying notes are an integral part of this statement

SOUTHWEST OPEN SCHOOL

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

General Fund

For the Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Local and Intermediate sources				
Per-pupil charter school allocation	$ 865,483	$ 1,031,775	$ 1,030,577	$ (1,198)
Public Lands	993	993	4,166	3,173
Other	58,267	96,260	51,331	(44,929)
Total local sources	924,743	1,129,028	1,086,074	(42,954)
State sources				
Grants	32,371	49,784	31,628	(18,156)
Total state sources	32,371	49,784	31,628	(18,156)
Federal sources				
Impact Aid	27,600	71,736	38,985	(32,751)
Total federal sources	27,600	71,736	38,985	(32,751)
Total revenues	984,714	1,250,548	1,156,687	(93,861)
Expenditures				
Instructional Program	644,888	756,230	611,548	144,682
Students	133,267	180,727	76,181	104,546
Instructional staff	11,529	12,377	11,774	603
General administration	39,451	47,608	40,038	7,570
School administration	170,249	136,702	125,686	11,016
Business	75,618	76,155	73,678	2,477
Operation and maintenance of plant	97,673	97,947	68,936	29,011
Student transportation	6,157	4,272	5,144	(872)
Central	33,252	33,252	25,059	8,193
Appropriated reserves	447,630	647,423		647,423
Total expenditures	1,659,714	1,992,693	1,038,044	954,649
Excess of revenues over (under) expenditures	(675,000)	(742,145)	118,643	860,788
Fund Balances beginning of the year	675,000	742,145	833,556	91,411
Fund Balances end of the year	$ -	$ -	$ 952,199	$ 952,199

The accompanying notes are an integral part of this statement.

SOUTHWEST OPEN SCHOOL

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Governmental Designated-Purpose Grants Fund

For the Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Local sources				
Grants		$ 164,052	$ 69,081	$ (94,971)
State sources				
Grants	$ 221,073	370,880	371,880	1,000
Federal sources				
Grants		200,413	198,456	(1,957)
Total Revenues	221,073	735,345	639,417	(95,928)
Expenditures				
Instructional Program		227,491	205,672	21,819
Students	221,073	490,630	415,880	74,750
Operation and maintenance of plant		17,224	16,773	451
Transportation			1,092	(1,092)
Total Expenditures	221,073	735,345	639,417	95,928
Excess revenues over (under) expenditures	-	-	-	-
Fund Balances beginning of the year	-	-	-	-
Fund Balances end of the year	$ -	$ -	$ -	$ -

The accompanying notes are an integral part of this statement.

1. Summary of Significant Accounting Policies

The financial statements of Southwest Open School ("School") have been prepared in conformity with generally accepted accounting principles as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations).

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

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. Based on the application of this criteria, the school does not include additional organizations within its reporting entity.

The School is a component unit of the Montezuma County (Cortez) School District RE-1 ("District"). The School's charter was granted by the District and the majority of the School's funding is provided by the District.

Government-wide and Fund Financial Statements –The government-wide financial statements (the statement of net position and the statement of activities) display information about the School as a whole. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expense of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include1) fees and charges to students or others who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are, restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues. Majors individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus and Basis of Accounting – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. On an accrual bases, grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the school considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

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

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity, with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the School is consistent with legal and managerial requirements. The School reports the following major governmental funds:

General Fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include per pupil funding from the School.

Governmental Designated-Purpose Grants Fund maintains a separate accounting for programs funded by local, state and federal grants.

Capital Projects Fund is used to account for the accumulation of resources and expenditure of resources for capital improvements within the School.

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments include investments with original maturities of three months or less. Investments are reported at fair value.

Due to/from the School District – Amounts that are due to/from the District are normal transactions that are paid in the next three months or less.

Short-term Interfund Receivable/Payables – During the course of operations, transactions occur between individual funds for goods provided or services rendered. These are paid in the next three months or less.

Grants Receivable – State and federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant. Grants receivable are recorded when expenditures are made, and the grant monies have not yet been received.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $5000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value of the date donated. The School maintained a capitalization threshold of $25,000 for major outlays for building and improvements. The School does not possess any infrastructure.

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

Depreciation of exhaustible capital assets is charged as an expense against operations in the statement of activities, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements.

Capital assets are depreciated using the straight-line method over the following estimated useful lives; building and improvements 20-50 years, and vehicles 8 years.

Deferred Outflows/Inflows of Resources – In additions to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to future period(s) and so will not be recognized as an outflow or resources (expense/expenditure) until that time.

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

Accrued Salaries and Benefits Payable – represent the liability to teachers and certain other employees who earn their salaries over the nine-month school year but are paid over a twelve-month period. Changes in the accrual are reflected in expenditures ore expense on the applicable fund’s statement of revenue, expenditures and changes in fund balance.

Compensated Absences – The School’s policy allows employees to accumulated sick leave. Upon termination of employment, no financial compensation is paid for unused sick day. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Federal and State Administered Grants are considered to be earned to the extent of expenditures made under the provisions of the grant and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Fund Equity – The fund balance of the governmental funds is reported in classifications based on the extent to which the School is bound to honor constraints for the specific purposes on which amount in the fund can be spent as follows:

- Nonspendable fund balance represents assets that cannot be spent either because of their form or legally or contractually must be maintained intact.
- Restricted fund balance reflects resources that are subject to externally enforceable legal limitations.
- Committed fund balance is the portion that is limited to specific purposes determined by a formal action of the Board.
- Assigned fund balance displays the School's intended use of these resources.
- Unassigned fund balance represents resources with residual net resources.

Restricted fund balances consist of required TABOR reserves of $45,000 and $313,736 for capital projects

When determining categories of fund balance, it is assumed that the type of expenditure determines the primary use of the fund balance. When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. Once the commitment or assignment is satisfied unassigned resource are used.

Net Position - Net position represents the difference between assets, deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on its use either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Defined Benefit Pension Plan – 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.

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

Defined Benefit Other Post Employment Benefit (OPEB) Plan- 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 or resources and deferred inflow of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/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.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Budgets and Budgetary Accounting – The School is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that used for accounting purposes.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through December 31.

Formal budgetary integration is employed as a management control device during the fiscal year. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed by the School as an extension of formal budgetary integration. Encumbrances outstanding at fiscal year-end do not constitute expenditures or liabilities because the commitments will be re-appropriated and honored during the subsequent fiscal year.

2. Cash and Investments

Custodial credit risk for deposits is the risk that, in the event of a bank failure, the School's deposits might not be recovered. However, there is no custodial risk for public deposits because they are collateralized under the Colorado Public Deposit Protection Act (PDPA). The PDPA specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local governmental depositors as a group, with a market value at least 102% of the uninsured deposits. The State Regulatory Commissions for banks and savings and loan associations are required by statue to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

At June 30, 2021, the carrying amount of the School's cash was $1,321,086 in demand deposits. The School's bank balances of $1,343,010 at June 30, 2021 and during the year ended June 30, 2021 were entirely covered by FDIC insurance or pledged collateral held by the School's agent banks in the name of governmental accounts of which the School is a part.

3. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2021 follows:

	Assets July 1, 2020	Additions	Deletions	Assets June 30, 2021
Governmental Activities				
Capital Assets, being depreciated				
Buildings	$ 1,168,312	$ 18,700		$ 1,187,012
Equipment and vehicles		58,628		58,628
	1,168,312	77,328		1,245,640
Less Accumulated Depreciation				
Buildings	(425,548)	(38,166)		(463,714)
Equipment and vehicles		(7,329)		(7,329)
	(425,548)	(45,495)		(471,043)
Governmental Activities Capital Assets, net	$ 742,764	$ 31,833	$ -	$ 774,597

4. Defined Benefit Pension Plan

Plan Description – Eligible employees of the School are provided with pensions through the (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes

(C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided – as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. §24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 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 and benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	**19.38%**

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and the Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State’s 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $113,149 for the year ended June 30, 2021.

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

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

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to *C.R.S.* § 24-51-413, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

On June 30, 2021, the School reported a liability of $1,963,309 for its proportionate share of the net pension liability. 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 District were as follows:

District's proportionate share of the net pension liability	$ 1,963,309
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	-
Total	$ 1,963,309

On December 31, 2020, the School's proportion was .0129865834 percent, which was an increase of .0011645646 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension expense of $(664,505) and revenue of $0 for the support from the State as a nonemployer contributing entity. On June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 107,874	
Changes in assumptions or other inputs	188,864	$ 330,016
Net difference between projected and actual earnings on pension plan investments	137,126	569,295
Changes in proportion and differences between contributions recognized and proportionate share of contributions	186,016	216,273
Contributions subsequent to the measurement date	64,167	
Total	$ 684,047	$ 1,115,584

$64,167 reported as deferred outflows related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2022	$ (453,862)
2023	77,194
2024	(50,859)
2025	(68,177)
Total	$ (495,704)

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50%–9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

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

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

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

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

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

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

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

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

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

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

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

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

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

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

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

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

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

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

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

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

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total services for future plan members

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars) commencing July 1, 2018, that is proportioned between the State, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the 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 percent on pension plan investments was applied to all periods of projected benefit payments to determine that total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1 % Decrease (6.25%)	Current Discount Rate (7.25%)	1 % Increase (8.25)
Proportionate share of the net pension liability	$ 2,678,115	$ 1,963,309	$ 1,367,641

Pension plan fiduciary net position. Detail information of the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports

5. Other Post-Employment Benefits

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

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

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

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

PERA Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were $6,831 for the year ended June 30, 2021.

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

At June 30, 2021 the School reported a liability of $71,368 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was .0075106894 percent, which was a decrease of .0002175190 percent from its proportion measured as of December 31, 2020.

For the year ended June 30, 2021 the School recognized OPEB expense of $(8,461). At June 30, 2021, the 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	$ 189	$ 15,690
Changes in assumptions or other inputs	533	4,376
Net difference between projected and actual earnings on pension plan investments	907	3,822
Changes in proportion and differences between contributions recognized and proportionate share of contributions		12,185
Contributions subsequent to the measurement date	3,292	
Total	$ 4,921	$ 36,073

$3,292 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,		
2022	$	(8,503)
2023		(8,095)
2024		(8,631)
2025		(6,642)
2026		(2,416)
2027		(157)
Total	$	(34,444)

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

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

The 2020 Medicare Part A premium is $458 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

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

Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

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

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

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB liability	$ 69,524	$ 71,368	$ 73,516

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

Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.

Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 81,754	$ 71,368	$ 62,495

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

6. Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The School has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2021, program members contributed $4,275 to the Voluntary Investment Program.

7. Accrued Salaries – Certified instructors of the School are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they have completed their entire contract but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling $109,331, is reflected as an accrued expense at June 30.

8. Fund Balance Restrictions and Assignments – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state of federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The School uses the following restrictions and assignments:

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance restricted for emergencies consists of $45,000 in the General Fund.

Capital projects- indicates that the fund balance of $313,736 in the Capital Projects Fund has been restricted for major capital purchases.

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balances assigned for future expenditures consist of $ 907,199 in the General Fund.

9. **Risk Management –** The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School is a member of the Colorado School Schools Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide 93-member school Schools and related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The School pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to $250,000.

   The School continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

   In addition, the School participates in the Montezuma County (Cortez) School RE-1 Self Insurance Fund to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, the Fund provides coverage from the purchase of commercial insurance for a specific deductible of $110,000, with a maximum aggregate benefit of $1,000,000.

10. **Tax, Spending, and Debt Limitations –** Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The people of the School voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1998 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with all other requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

11. **Commitments and Contingent Liabilities** – There were no commitments or contingent liabilities at June 30.

SOUTHWEST OPEN SCHOOL

Required Supplementary Information

June 30, 2021

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Pension Schedules
- Schedule of School's Pension Contributions
- Schedule of School's Proportionate Share of the Net Pension Liability

OPEB Schedules
- Schedule of School's OPEB Contributions
- Schedule of the School's Proportionate Share of the Net OPEB Liability

SOUTHWEST OPEN SCHOOL
Schedule of School's Pension Contributions

June 30, 2021
Last 10 Years*

	2021	2020	2019	2018	2017	2016	2015
Statutorily required contributions	$133,149	$135,055	$129,151	$138,036	$136,911	$125,215	$135,600
Contributions in relation to the statutory required contribution	133,149	135,055	129,151	138,036	136,911	125,215	135,600
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$669,755	$696,869	$675,111	$731,206	$745,123	$703,211	$802,153
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.88%	18.37%	17.81%	16.90%

** Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.*

Notes to Required Supplementary Information
See Note 4 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

SOUTHWEST OPEN SCHOOL
Schedule of the School's Proportionate Share of the Net Pension Liability

June 30, 2021
Last 10 Years*

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015	12/31/2014
School's proportion of the net pension liability	0.01298658%	0.01182502%	0.01262629%	0.01589155%	0.01781632%	0.01624122%	0.01732241%
School's share of the net pension liability	$ 1,963,309	$ 1,766,632	$ 2,235,745	$ 5,138,764	$ 5,304,608	$ 2,483,979	$ 2,347,768
School's share of State's share of the net pension liability as nonemployer contributing entity	-	$ 224,075	$ 305,707				
	$ 1,963,309	$1,990,707	$ 2,541,452				
School's covered payroll	$ 694,547	$ 694,888	$ 691,636	$ 733,058	$ 799,753	$ 707,552	$ 725,688
School's proportionate share of the net pension liability as a percentage of its covered payroll	282.67%	286.48%	323.25%	701.00%	663.28%	351.07%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%	43.13%	59.20%	64.07%

** Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.*

Notes to Required Supplementary Information
See Note 4 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

SOUTHWEST OPEN SCHOOL

Schedule of School's OPEB Contributions

June 30, 2021

Last 10 Years*

	2021	2020	2019	2018	2017
Statutorily required contributions	$ 6,831	$ 7,108	$ 6,886	$ 7,458	$ 7,600
Contributions in relation to the statutory required contribution	6,831	7,108	6,886	7,458	7,600
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 669,755	$ 696,869	$ 675,111	$ 731,206	$ 745,123
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

** Information is not available for years prior to 2017.*

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

SOUTHWEST OPEN SCHOOL

Schedule of the School's Proportionate Share of the Net OPEB Liability

June 30, 2021

Last 10 Years*

	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016
School's proportion of the Net OPEB Liability	0.00751069%	0.00772821%	0.00820716%	0.00902951%	0.01012700%
School's share of the Net OPEB Liability	$ 71,368	$ 86,865	$ 111,662	$ 117,348	$ 131,300
School's covered payroll	$ 694,547	$ 694,888	$ 691,636	$ 733,058	$ 745,124
School's proportionate share of the net pension liability as a percentage of its covered payroll	10.28%	12.50%	16.14%	16.01%	17.62%
Plan fiduciary net position as a percentage of the total pension liability	32.78%	24.49%	17.03%	17.53%	16.72%

** Information is not available for years prior to 2016.*

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported.

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules
    Capital Projects Fund

SOUTHWEST OPEN SCHOOL

Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Capital Projects Fund

For the Year Ended June 30, 2021

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance Favorable (Unfavorable)
Revenues				
Local sources				
Earnings of Investments			$ 170	$ 170
Other		$ 1,868	3,095	1,227
Total local sources		1,868	3,265	1,397
State sources				
Grants	$ 36,668	39,938	39,938	-
Total Revenues	36,668	41,806	43,203	1,397
Expenditures				
Support Programs				
Operation and maintenance of plant		15,668	15,668	-
Transportation		58,628	58,628	-
Facilities acquisition	36,668	24,270	24,270	-
Appropriated reserves	365,421	308,661		308,661
Total Expenditures	402,089	407,227	98,566	308,661
Excess of revenues over (under) expenditures	(365,421)	(365,421)	(55,363)	310,058
Fund Balances beginning of the year	365,421	365,421	369,099	3,678
Fund Balances end of the year	$ -	$ -	$ 313,736	$ 313,736