

SALIDA MONTESSORI CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2020

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JOHN CUTLER & ASSOCIATES

Board of Directors
Salida Montessori Charter School
Salida, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Salida Montessori Charter School (the "School"), as of and for the year ended June 30, 2020, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type and each major fund of Salida Montessori Charter School as of June 30, 2020, and the respective changes in financial position, thereof 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 and required supplemental information on pages 41 - 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

October 15, 2020

Salida Montessori Charter School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2020

As management of Salida Montessori Charter School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ending June 30, 2020, was the fifth year of operations for the School. As of June 30, 2020, the net position was (\$1,966,094). The negative net position is due to the reporting of the School's proportionate share of the Public Employees Retirement Association (PERA) unfunded pension liability and the OPEB (Other than Pension Post-Employment Benefits) liability. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). Per Pupil Revenue (PPR) for the year was \$702,338. The General Fund ending fund balance increased \$202,778 to \$402,940, or 101.3%. The increase can be attributed to operating with the annual budget and the receipt of PPP loan proceeds of \$111,747.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2020

The School adopts an annual budget. Budgetary comparisons have been provided for the General Fund (page 41) in the required supplementary information to demonstrate compliance with the budget.

Proprietary Fund. The Salida Montessori Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of \$109,899. The Building Corporation was created in FY18 for the purpose of acquiring a future permanent site for the School.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are disclosed on pages 9 through 40.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial condition. As of June 30, 2020, the School's liabilities and deferred inflows exceeded assets and deferred outflows by \$1,966,094. \$36,235 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The unrestricted net position balance was (\$2,019,993) reflecting an improvement of \$358,257 over the prior year.

Net Position Governmental and Business-Type Activities for the period ending June 30, 2020 and 2019 respectively:

	June 30, 2020	June 30, 2019
Assets		
Cash and Investments	\$ 529,017	\$ 288,648
Accounts Receivable	9,647	5,604
Grants Receivable	-	-
Prepaid Expenses	10,425	9,651
Capital Assets (Net)	629,411	627,372
Total Assets	1,178,500	931,275
Deferred Outflows – Pensions/OPEB	229,402	701,227
Liabilities		
Accounts Payable and Accrued Liabilities	16,280	20,022
Accrued Salaries and Benefits	40,917	40,890
Unearned Revenue	88,204	41,820
Noncurrent Liability - Loan	611,747	500,000
Noncurrent Liability – Net Pension/OPEB Liability	1,573,099	1,866,901
Total Liabilities	2,330,247	2,469,633

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2020

Deferred Inflows – Pensions/OPEB	<u>1,043,749</u>	<u>1,384,747</u>
Net Position		
Net Investment in Capital Assets	17,664	127,372
Restricted for Emergencies	36,235	29,000
Unrestricted	<u>(2,019,993)</u>	<u>(2,378,250)</u>
Total Net Position	<u>\$ (1,966,094)</u>	<u>\$ (2,221,878)</u>

Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2020 and 2019 respectively:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Revenues		
Program Revenues		
Operating Grants and Contributions	\$ 138,056	\$ 86,474
Charges for Services	<u>265,826</u>	<u>256,264</u>
Total Program Revenues	<u>403,882</u>	<u>342,738</u>
General Revenues		
Per Pupil Revenue	702,338	650,629
Capital Construction	23,981	24,829
Mill Levy Equalization	35,127	27,230
Restricted Grants and Contributions	8,657	8,127
Other	<u>7,750</u>	<u>30,854</u>
Total General Revenues	<u>777,853</u>	<u>741,669</u>
Total Revenues	<u>1,181,735</u>	<u>1,084,407</u>
Expenses		
Instruction	530,775	858,057
Supporting Services	355,893	388,728
Interest, Fiscal Charges, Depreciation	<u>39,283</u>	<u>40,842</u>
Total Expenses	<u>925,951</u>	<u>1,287,627</u>
Decrease in Net Position	255,784	(203,220)
Net Position, Beginning of Year	<u>(2,221,878)</u>	<u>(2,018,658)</u>
Net Position, End of Year	<u>\$ (1,966,094)</u>	<u>\$ (2,221,878)</u>

Salida Montessori Charter School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2020

Financial Analysis of the School's Fund

The School has one governmental fund, the General Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with a positive fund balance of \$200,162. As a result of operating within its budget and receiving loan proceeds of \$111,747 from the Payroll Protection Program, the General Fund ending fund balance increased to \$402,940 at year-end or an increase of 101%. Sixty one percent of the General Fund ending fund balance is unassigned.

General Fund Budgetary Highlights

The School budgeted General Fund expenditures of \$1,238,600 for the year ended June 30, 2020. Actual expenditures were \$1,037,448. Total revenue budgeted was \$1,238,600 with actual revenue of \$1,128,479. Considering both revenue and expense there was a positive variance of \$91,031 for the year. A budget amendment was not passed during the year.

Capital Assets and Debt Administration

The School leases its school facilities under two operating lease agreements that were signed in April 2015. The lease options were again extended one year in July of 2020. The School and Building Corporation had net capital assets of \$609,151 with accumulated depreciation of \$47,638 at June 30, 2020. Capital additions for the year were \$19,729.

The Building Corporation had \$500,000 in interest only debt at June 30, 2020. The loan originated 3/13/2019 with High Country Bank, had a two-year term maturing 4/1/2020 and carried a 5% interest rate. The 5% loan was renewed on 5/14/20 for another two years maturing 4/1/22.

In addition, the School participated in the PPP or payroll protection program. Loan proceeds of \$111,747 at 1% interest were received 4/23/2020. The loan matures in 2022 unless forgiven by the SBA. An application for forgiveness has been timely filed.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) was 75.8, 84.8, 82.8 and 86 for FY17, FY18, FY19 and FY20 respectively. The FPC used to create the FY21 budget was also 86 or flat enrollment compared to the prior year. During FY20 and prospectively, full funding is received for kindergarten students, thus FPC will equal student enrollment.

The Per Pupil Revenue (PPR) for FY21 decreased on average 5.4% State wide due to the pandemic. Even though we are experiencing a rebound in Colorado's economy, it is very likely K-12 funding will be subject to further reductions in FY22. The State revenue collections include corporate and individual income taxes, excise taxes, and sales tax. All tax collections have declined sharply due to temporary and permanent business closures. As we have seen this year (FY21), Federal support backfilled much of the reduction in PPR. Clearer direction on K-12 funding will be available with the Governor's budget due to be released in November.

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2020

Requests for Information

This financial report is designed to provide a general overview of the School's finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Salida Montessori Charter School, 1040 I Street, Salida, Colorado 81201

BASIC FINANCIAL STATEMENTS

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2020

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 526,869	\$ 2,148	\$ 529,017
Accounts Receivable	9,647	-	9,647
Prepaid Items	10,425	-	10,425
Capital Assets, Not Depreciated	-	257,858	257,858
Capital Assets, Depreciated			
Net of Accumulated Depreciation	20,260	351,293	371,553
TOTAL ASSETS	567,201	611,299	1,178,500
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	220,790	-	220,790
Related to OPEB	8,612	-	8,612
TOTAL DEFERRED OUTFLOWS OF RESOURCES	229,402	-	229,402
LIABILITIES			
Accounts Payable	14,880	-	14,880
Accrued Salaries and Benefits	40,917	-	40,917
Unearned Revenues	88,204	-	88,204
Deposits	-	1,400	1,400
Noncurrent Liabilities			
Net Pension Liability	1,499,389	-	1,499,389
Net OPEB Liability	73,710	-	73,710
Due Within One Year	46,836	-	46,836
Due in More Than One Year	64,911	500,000	564,911
TOTAL LIABILITIES	1,828,847	501,400	2,330,247
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	1,029,606	-	1,029,606
Related to OPEB	14,143	-	14,143
TOTAL DEFERRED INFLOWS OF RESOURCES	1,043,749	-	1,043,749
NET POSITION			
Net Investment in Capital Assets	(91,487)	109,151	17,664
Restricted for Emergencies	36,235	-	36,235
Unrestricted	(2,020,741)	748	(2,019,993)
TOTAL NET POSITION	\$ (2,075,993)	\$ 109,899	\$ (1,966,094)

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 530,775	\$ -	\$ 146,713	\$ -
Supporting Services	355,893	218,999	-	23,981
Total Governmental Activities	886,668	218,999	146,713	23,981
Business-Type Activities				
Building Corporation	39,283	46,827	-	-
Total Primary Government	\$ 925,951	\$ 265,826	\$ 146,713	\$ 23,981

GENERAL REVENUES

Per Pupil Revenue
Mill Levy Override
Investment Income
Other Revenues
Unrestricted State Aid

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE
AND CHANGE IN
NET POSITION

Governmental Activities	Business- Type Activities	TOTAL
\$ (384,062)	\$ -	\$ (384,062)
(112,913)	-	(112,913)
(496,975)	-	(496,975)
-	7,544	7,544
(496,975)	7,544	(489,431)
702,338	-	702,338
35,127	-	35,127
55	-	55
1,266	-	1,266
6,429	-	6,429
745,215	-	745,215
248,240	7,544	255,784
(2,324,233)	102,355	(2,221,878)
<u>\$ (2,075,993)</u>	<u>\$ 109,899</u>	<u>\$ (1,966,094)</u>

SALIDA MONTESSORI CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 526,869
Accounts Receivable	9,647
Prepaid Items	10,425
TOTAL ASSETS	\$ 546,941
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 14,880
Accrued Salaries and Benefits	40,917
Unearned Revenue	88,204
TOTAL LIABILITIES	144,001
 FUND BALANCES	
Nonspendable	10,425
Restricted for Emergencies	36,235
Restricted for PPP Expenditures	111,747
Unassigned	244,533
TOTAL FUND BALANCES	402,940
 TOTAL LIABILITIES AND FUND BALANCES	
 Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	20,260
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes loans payable (\$111,747), net pension liability (\$1,499,389), Net OPEB liability of (\$73,710), deferred outflows related to pensions and OPEB of \$229,402, and deferred inflows related to pensions and OPEB of (\$1,043,749).	(2,499,193)
Net position of governmental activities	\$ (2,075,993)

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 988,595
State Sources	118,715
Federal Sources	<u>21,169</u>
TOTAL REVENUES	<u>1,128,479</u>
EXPENDITURES	
Current	
Instruction	646,477
Supporting Services	<u>390,971</u>
TOTAL EXPENDITURES	<u>1,037,448</u>
EXCESS OF REVENUES OVER (UUNDER) EXPENDITURES	<u>91,031</u>
OTHER FINANCING SOURCES (USES)	
Proceeds from Forgivable Loan	<u>111,747</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>111,747</u>
NET CHANGE IN FUND BALANCE	202,778
FUND BALANCES, Beginning	<u>200,162</u>
FUND BALANCES, Ending	<u><u>\$ 402,940</u></u>

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

SALIDA MONTESSORI CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ 202,778
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the depreciation expense in the current period.	(5,766)
Loan proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(111,747)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>162,975</u>
Change in net position of governmental activities	<u><u>\$ 248,240</u></u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE

June 30, 2020

	<u>BUILDING CORPORATION</u>
ASSETS	
Current Assets	
Cash	\$ 2,148
Total Current Assets	<u>2,148</u>
Long-term Assets	
Capital Assets, Not Depreciated	257,858
Capital Assets, Net of Accumulated Depreciation	<u>351,293</u>
Total Long-term Assets	<u>609,151</u>
TOTAL ASSETS	<u>611,299</u>
LIABILITIES	
Current Liabilities	
Deposits	1,400
Loan Payable - Current Portion	<u>-</u>
Total Current Liabilities	<u>1,400</u>
Long-Term Liabilities	
Loan Payable	<u>500,000</u>
TOTAL LIABILITIES	<u>501,400</u>
NET POSITION	
Net Investment in Capital Assets	109,151
Unrestricted	<u>748</u>
TOTAL NET POSITION	<u>\$ 109,899</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2020

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Rent	\$ 46,827
TOTAL OPERATING REVENUES	<u>46,827</u>
OPERATING EXPENSES	
Purchased Services	2,290
Depreciation	<u>11,924</u>
TOTAL OPERATING EXPENSES	<u>14,214</u>
OPERATING INCOME (LOSS)	<u>32,613</u>
NON-OPERATING EXPENSES	
Interest and Other Fiscal Charges	<u>(25,069)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(25,069)</u>
NET INCOME	7,544
NET POSITION, Beginning	<u>102,355</u>
NET POSITION, Ending	<u><u>\$ 109,899</u></u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended June 30, 2020
 Increase (Decrease) in Cash

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Operations	\$ 48,227
Cash Paid to Suppliers	(2,351)
Net Cash Provided by Operating Activities	<u>45,876</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Purchase of Capital Assets	(19,729)
Interest Expense	(25,069)
Principal Payments on Loan	-
Net Cash (Used) by Financing Activities	<u>(44,798)</u>
NET INCREASE (DECREASE) IN CASH	1,078
CASH, Beginning	<u>1,070</u>
CASH, Ending	<u>\$ 2,148</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 32,613
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	11,924
Changes in Assets and Liabilities	
Accounts Payable	(61)
Deposits	1,400
Total Adjustments	<u>13,263</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 45,876</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Salida Montessori Charter School (the “School”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school under the guidance of the Charter School Institute. The School began operations in the Fall of 2015.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

The Salida Montessori Building Corporation (the “Building Corporation”) is considered to be financially accountable to the School. The purpose of the Building Corporation is to provide a mechanism to issue and pay debt on behalf of the School and to hold title to real and/or personal property for use by the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s Governmental Fund financial statements as a proprietary fund. Separate financial statements are not available for the Building Corporation.

Government-Wide and Fund Financial Statements

The School financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The School reports the following major governmental fund:

General Fund – This 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.

The School reports the following major proprietary fund:

Building Corporation Fund – This fund accounts for the activity of the Salida Montessori Building Corporation.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvement 20-40 years and equipment 5-10 years.

Unearned Revenue – Unearned revenues include grants and donations received before the eligibility requirements by the grantor have been met.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long Term Obligations - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – Employees of the School are allowed to earn up to 16 days of unused sick leave. However, employees are not paid for the accrued compensated absences upon termination of employment. Therefore, no liability has been reported in the financial statements.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While the School's management may have categorized and segmented portion for various purposes, the School's Board has the unrestricted right to revisit or alter these managerial decisions.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School prepaid items as nonspendable as of June 30, 2020.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies and PPP Expenditures as restricted as to use by the CARES Act.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2020.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2020, the School had deposits with financial institutions with a carrying amount of \$529,017. The bank balances with the financial institutions were \$542,849. Of these balances \$254,983 were covered by federal depository insurance and \$287,866 were covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado local governments.

Interest Rate and Credit Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

The School had no investments as of June 30, 2020.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 4 **CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2020 is summarized below.

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities				
Capital Assets, Depreciated				
Equipment	\$ 40,572	-	-	40,572
Accumulated Depreciation	(14,546)	(5,766)	-	(20,312)
Net Capital Assets, Governmental Activities	<u>\$ 26,026</u>	<u>\$ (5,766)</u>	<u>\$ -</u>	<u>\$ 20,260</u>
Business-Type Activities				
Capital Assets, Not Depreciated				
Land	\$ 238,129	\$ -	\$ -	\$ 238,129
Construction in Progress	-	19,729	-	19,729
Total Capital Assets, Not Depreciated	<u>238,129</u>	<u>19,729</u>	<u>-</u>	<u>257,858</u>
Capital Assets, Depreciated				
Buildings	378,619	-	-	378,619
Accumulated Depreciation	(15,402)	(11,924)	-	(27,326)
Total Capital Assets, Depreciated	<u>363,217</u>	<u>(11,924)</u>	<u>-</u>	<u>351,293</u>
Net Capital Assets, Business- Type Activities	<u>\$ 601,346</u>	<u>\$ 7,805</u>	<u>\$ -</u>	<u>\$ 609,151</u>

Depreciation expense of the governmental activities was charged to functions/programs of the School as follows:

Instruction	\$ 2,348
Supporting Services	<u>3,418</u>
	<u>\$ 5,766</u>

NOTE 5: **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were \$40,917 in the General Fund.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2020:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due In</u> <u>One Year</u>
Governmental Activities					
PPP Loan Payable	-	111,747	-	111,747	46,836
Total	<u>\$ -</u>	<u>\$ 111,747</u>	<u>\$ -</u>	<u>\$ 111,747</u>	<u>\$ 46,836</u>
Business-Type Activities					
2018 Loan Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ -
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ -</u>

PPP Loan Payable

On April 23, 2020, the School received a loan in the amount of \$111,747 through the Small Business Administration's Paycheck Protection Program under Division A, Title I of the Coronavirus Aid Relief and Economic Security Act. ("CARES Act").

The full amount of this loan is expected to be forgiven during the year ended June 30, 2021, however, it has been reported as long-term debt as of June 30, 2020. To the extent the loan amount is not forgiven under the Paycheck Protection Program of the CARES Act, the School must make equal monthly payments of principal and interest, beginning on October 23, 2020 until the maturity date, which is two years from the date of the Note. This Note may be prepaid in part or in full, at any time, without penalty.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 46,836	\$ 609	\$ 47,444
2022	<u>64,911</u>	<u>320</u>	<u>65,231</u>
Total	<u>\$ 111,747</u>	<u>\$ 929</u>	<u>\$ 112,675</u>

2018 Loan Payable

On March 13, 2018, the Corporation obtained a loan from High Country Bank in the amount of \$500,000. Loan proceeds were used to purchase property intended for future construction of education facilities for the School. Interest accrues on the outstanding balance of the loan at 5% per annum. Interest-only payments are due monthly. All principal and any unpaid interest is due in full on April 1, 2022.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. 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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2019, 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, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2020: Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The School were \$114,593 for the year ended June 30, 2020.

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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the School reported a liability of \$1,499,389 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The School's proportionate share of the net pension liability	\$ 1,499,389
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	\$ 240,880
Total	\$ 1,740,269

At December 31, 2019, the School's proportion was 0.01004 percent, which was a decrease of 0.00001 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension income of \$48,670 and revenue of \$6,429 for support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 81,718	N/A
Changes of assumptions or other inputs	\$ 42,805	\$ 680,109
Net difference between projected and actual earnings on pension plan investments	N/A	\$ 177,618
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 40,879	\$ 171,879
Contributions subsequent to the measurement date	\$ 55,388	N/A
Total	\$ 220,790	\$ 1,029,606

\$55,388 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30,	
2021	(\$ 461,635)
2022	(\$ 345,249)
2023	\$ 3,100
2024	(\$ 60,420)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

¹ For 2019, the annual increase was 0.00 percent.

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 1,988,511	\$ 1,499,389	\$ 1,088,729

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

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$6,031 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$73,710 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.00655 percent, which was an increase of 0.00003% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$6,317. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 245	\$ 12,386
Changes of assumptions or other inputs	\$ 612	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 1,230
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 4,840	\$ 527
Contributions subsequent to the measurement date	\$ 2,915	N/A
Total	\$ 8,612	\$ 14,143

\$2,915 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, 2021. 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,	
2021	(\$ 1,222)
2022	(\$ 1,222)
2023	(\$ 867)
2024	(\$ 2,658)
2025	(\$ 2,334)
Thereafter	(\$ 143)

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

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

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
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 for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
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	\$ 71,959	\$ 73,710	\$ 75,733

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, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 83,344	\$ 73,710	\$ 65,471

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2020, the reserve of \$36,235 was recorded as a restriction of fund balance in the General Fund.

Operating Leases

In July 2019, the School entered into a one-year extension agreement to lease educational facilities. Monthly lease payments of \$2,200 commenced in August 2019. Effective July 30, 2020, the School approved a similar agreement through July 31, 2021, with monthly lease payments of \$2,200. The School has an option to extend the lease for an additional year. During the year ended June 30, 2020, the School paid \$26,400 under this agreement.

In addition, in July 2019, the School extended its agreement to lease a second location, commencing July 1, 2019. Monthly lease payments of \$2,300 plus utilities were required by the agreement through June 30, 2020. At this time the School is leasing the building on a month to month basis until an extension or new lease agreement can be negotiated. During the year ended June 30, 2020, the School paid \$25,400 under this agreement.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position of \$2,075,993 due to the School including its Net Pension Liability per the requirements of GASB Statements No. 68 and 75.

NOTE 11: SUBSEQUENT EVENTS

COVID-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA MONTESSORI CHARTER SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2020

	2020			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 713,369	\$ 713,369	\$ 702,338	\$ (11,031)
Mill Levy Override	30,450	30,450	35,127	4,677
Tuition and Fees	213,230	213,230	167,593	(45,637)
Student Activities	52,626	52,626	51,406	(1,220)
Contributions and Donations	27,000	27,000	30,810	3,810
Investment Income	50	50	55	5
Other	71,049	71,049	1,266	(69,783)
State and Federal Sources				
State	100,052	100,052	118,715	18,663
Federal	30,774	30,774	21,169	(9,605)
TOTAL REVENUES	1,238,600	1,238,600	1,128,479	(110,121)
EXPENDITURES				
Instruction				
Salaries	471,403	471,403	443,242	28,161
Employee Benefits	152,201	152,201	144,094	8,107
Purchased Services	29,700	29,700	19,717	9,983
Supplies and Materials	42,603	42,603	36,099	6,504
Property	1,500	1,500	3,005	(1,505)
Other	37,825	37,825	320	37,505
Total Instruction	735,232	735,232	646,477	88,755
Supporting Services				
Salaries	137,768	137,768	144,540	(6,772)
Employee Benefits	40,232	40,232	46,006	(5,774)
Purchased Services	204,063	204,063	183,536	20,527
Supplies and Materials	21,500	21,500	10,171	11,329
Property	4,000	4,000	3,637	363
Other	95,805	95,805	3,081	92,724
Total Supporting Services	503,368	503,368	390,971	112,397
TOTAL EXPENDITURES	1,238,600	1,238,600	1,037,448	201,152
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	91,031	91,031
OTHER FINANCING USES				
Proceeds from Forgivable Loan	-	-	111,747	111,747
NET CHANGE IN FUND BALANCE	-	-	202,778	202,778
FUND BALANCE, Beginning	160,399	200,162	200,162	-
FUND BALANCE, Ending	\$ 160,399	\$ 200,162	\$ 402,940	\$ 202,778

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
School's proportion of the Net Pension Liability	0.0079%	0.0104%	0.0116%	0.0100%	0.0100%
School's proportionate share of the Net Pension Liability	\$ 1,214,355	\$ 3,093,105	\$ 3,749,193	\$ 1,778,096	\$ 1,499,389
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,130</u>	<u>240,880</u>
Total portion of the Net Pension Liability associated with the School	1,214,355	3,093,105	3,749,193	2,021,226	1,740,269
School's covered payroll	\$ 173,010	\$ 466,261	\$ 534,832	\$ 552,048	\$ 589,652
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	701.9%	663.4%	701.0%	322.1%	254.3%
Plan fiduciary net position as a percentage percentage of the total pension liability	59.2%	43.1%	44.0%	57.0%	64.5%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 69,802	\$ 93,097	\$ 101,643	\$ 109,579	\$ 114,593
Contributions in relation to the Statutorily required contributions	<u>69,802</u>	<u>93,097</u>	<u>101,643</u>	<u>109,579</u>	<u>114,593</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	392,638	506,345	\$ 538,517	\$ 572,811	\$ 591,293
Contributions as a percentage of covered payroll	17.78%	18.39%	18.87%	19.13%	19.38%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
School's proportion of the Net Pension Liability	0.0066%	0.0065%	0.0066%
School's proportionate share of the Net Pension Liability	\$ 85,616	\$ 88,805	\$ 73,710
School's covered payroll	\$ 534,832	\$ 552,048	\$ 589,652
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	16.0%	16.1%	12.5%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	17.03%	24.49%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 HEALTH CARE TRUST FUND

Years Ended June 30,

	2018	2019	2020
Statutorily required contributions	\$ 5,493	\$ 5,843	\$ 6,031
Contributions in relation to the Statutorily required contributions	5,493	5,843	6,031
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School's covered payroll	\$ 538,517	\$ 572,811	\$ 591,293
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.