

SUMMIT MIDDLE CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2021

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SUMMIT MIDDLE CHARTER SCHOOL

ROSTER OF SCHOOL OFFICIALS

June 30, 2021

BOARD MEMBERS

Jill Oliver, Chair

Katie Schwab, Secretary

Daniel Simon, Treasurer

Thomas Gallagher, Member

Michelle Schewchuk, Member

Mary Kathryn Wood, Member

Audrey Frew, Member

Shari Polis, Member

Lisa Chase, Member

Adam Galvin, Principal, Ex-Officio

SCHOOL MANAGEMENT

Adam Galvin, Principal

Laura Glaab, Assistant Principal

Tara Waters, Business Manager

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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	i - iii
Management's Discussion and Analysis	iv - x
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2 - 3
Balance Sheet - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Notes to Basic Financial Statements	6 - 31
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	32
Budgetary Comparison Schedule - Operations and Technology Fund	33
Schedule of the School's Proportionate Share of the Net Pension and Other Post Employment Benefit Liabilities	34 - 35
Schedule of Contributions and Related Ratios	36 - 37
Notes to Required Supplementary Information	38

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Summit Middle School
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the discretely presented component unit of Summit Middle School, a component unit of Boulder Valley School District, as of and for the year ended June 30, 2021, which collectively comprise Summit Middle School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the discretely presented component unit of Summit Middle School as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Separate Charter School

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – viii, budgetary comparison information on page 39 and pension and other post-employment benefits schedules on pages 40-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Board of Directors Summit
Middle School

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 4, 2021

SUMMIT MIDDLE CHARTER SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2021

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

Founded by parents in 1996 as the first charter school in the Boulder Valley School District RE-2 ("the District"), the School has received several National Blue Ribbon Awards for academic excellence.

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,023,191 (net position).
- Total net position increased \$1,827,659 during 2021.
- At the close of the current fiscal year, the School's governmental funds reported fund balance of \$2,458,784, an increase of \$467,155 over the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund is \$1,243,382, or approximately 30.6% of total general fund expenditures.

Overview of Financial Statements

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

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

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

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

The government-wide financial statements include not only the School itself (known as the "primary government"), but also a legally separate entity, Supporters of Summit, Inc. Financial information for this discretely presented component unit is reported separately from the financial information presented for the primary government. Supporters of Summit, Inc., although a legally separate organization, exists

solely for the benefit of the School, and therefore, has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 1-3.

Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and the governmental activities.

The School reports two governmental funds that are considered major funds, the general fund and the operations and technology fund. There are no funds reported as non-major governmental funds. The basic governmental fund financial statements can be found on pages 4-5.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 6-31.

Government-Wide Financial Analysis

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

At June 30, 2021, \$29,797 of the School's net position represents its investment in capital assets. An additional \$1,215,402 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is a deficit of \$5,268,390, which represents the portion that is unrestricted and would otherwise be used to meet the School's ongoing obligations.

Net position increased \$1,827,659 from the previous year, due primarily to changes in net pension and OPEB liabilities and related deferred inflows and outflows of resources.

**Summit Middle Charter School
Comparative Summary of Net Position**

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 2,670,616	\$ 2,209,645
Capital assets	29,797	129,785
Total Assets	<u>2,700,413</u>	<u>2,339,430</u>
Deferred Outflows of Resources	<u>1,870,768</u>	<u>636,550</u>
Liabilities		
Current liabilities	211,832	218,016
Long-term liabilities	-	80,000
Net pension liability	5,639,385	4,837,287
Net OPEB liability	205,045	237,845
Total Liabilities	<u>6,056,262</u>	<u>5,373,148</u>
Deferred Inflows of Resources	<u>2,538,110</u>	<u>3,453,682</u>
Net Position		
Investment in capital assets	29,797	129,785
Restricted	1,215,402	835,218
Unrestricted	<u>(5,268,390)</u>	<u>(6,815,853)</u>
Total Net Position	<u>\$ (4,023,191)</u>	<u>\$ (5,850,850)</u>

Current and other assets include cash and accounts receivable and increased \$460,791 (20.9%), due primarily to an excess of revenues over expenses, excluding adjustments related to net pension and OPEB expense, offset by a principle repayment of the School's loan payable to the District.

Net pension liability increased \$802,098, in addition to changes in related deferred inflows of resources and deferred outflows of resources, due to the application of GASB Nos. 68 and 71, when compared to typical accounting treatment reported in the governmental funds. The net impact caused the School to recognize approximately \$1,366,000 of negative pension related expense during 2021 in the Statement of Activities, compared to prior year negative pension related expense of approximately \$840,000.

Net position increased \$1,827,659 during 2021, the reasons for which are discussed below.

**Summit Middle Charter School
Comparative Summary of Changes in Net Position**

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues		
Charges for services	\$ 18,172	\$ 55,331
Operating grants and contributions	251,121	35,391
Capital grants and contributions	62,553	50,054
General revenues		
Per pupil revenue	2,816,971	3,025,675
Mill levy override	1,309,641	1,178,766
Grants and contributions not restricted	71,721	19,837
Total Revenues	<u>4,530,179</u>	<u>4,365,054</u>
Expenses:		
Instruction	1,643,741	1,874,901
Supporting services	<u>1,058,779</u>	<u>1,292,752</u>
Total Expenses	<u>2,702,520</u>	<u>3,167,653</u>
Change in net position	1,827,659	1,197,401
Net Position, Beginning	<u>(5,850,850)</u>	<u>(7,048,251)</u>
Net Position , Ending	<u><u>\$ (4,023,191)</u></u>	<u><u>\$ (5,850,850)</u></u>

The School's primary source of revenue, per pupil revenues and mill levy overrides, flow from the District based upon the School's enrollment. Total revenues increased \$165,125 (3.8%) from the prior year, which include the following variances:

- Per pupil revenue decreased \$208,704 (6.9%), due to a reduction in State funding in response to a State budget shortfall, in addition to a slight decrease in enrollment.
- The School shares in the District's mill levy override revenues on a per pupil basis, which increased \$130,875 (11.1%), due to an increase in the operations and technology mill levy and the fact that override revenues are not subject to reductions to address shortfalls in the State's budget.
- Operating grants and contribution increased \$215,730, due primarily to the allocation of federal funds under the Coronavirus Aid, Relief and Economic Security (CARES) Act.
- Charges for services decreased \$37,159 due to the elimination of course fees during the pandemic.

Total expenses decreased \$465,133 (14.7%) from the prior year, due primarily to a decrease of approximately \$592,000 in pension and OPEB and related costs, offset by an increase in personnel costs in accordance with the School's approved salary schedule.

Financial Analysis of Governmental Funds

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

General Fund: The focus of the School's general fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the School itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, unassigned fund balance of the School's general fund was \$1,243,382, while the total fund balance increased \$106,470 to \$1,524,126. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 30.6% of total general fund expenditures, while total fund balance represents approximately 37.5% of the same amount.

Operations and Technology Fund: The operations and technology fund accounts for revenues and expenditures related to an operations and technology mill levy approved by voters November 2016. Property tax revenue is shared by the District on a per pupil basis. The School did not spend any of the available resources during 2021, and elected to accumulate the funds for a future allowable purpose.

General Fund Budgetary Highlights

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

Actual revenues were generally consistent with budgeted revenues, though federal grants and contributions were more than expected as the State announced federal grant allocations throughout the year. Actual expenditures were \$1,496,885 less than budget, due primarily to unspent budgeted reserves of \$1,391,181.

Capital Assets and Debt Administration

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

**Summit Middle Charter School
Capital Assets (Net of Depreciation)**

	Governmental Activities	
	2021	2020
Land Improvements	\$ -	\$ 20,548
Building and Improvements	-	98,694
Equipment	29,797	10,543
	\$ 29,797	\$ 129,785

As noted earlier, the School's contract with the District allows the School to use buildings owned by the District. Accordingly, their building is not reported as a capital asset of the School. However, certain improvements made by the School are reported as capital assets by the School.

Current year decrease is due to current year depreciation expense and disposals, offset by the addition of an electric vehicle charging station. Additional information on capital assets can be found in Note 3 of the financial statements.

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

**Summit Middle Charter School
Long-term Debt**

	Governmental Activities	
	2021	2020
Note Payable	\$ -	\$ 80,000

As part of the Educational Facilities Master Plan, the District completed a capital construction project to improve the building used by the School. At the time of construction, the School contributed \$400,000 to the District to enhance the scope of the project. The contribution was made in the form of a loan from the District. The School made the final of five annual \$80,000 principal repayments in the current year.

Additional information on long-term debt can be found in Note 4 of the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the School's budget is student enrollment. Enrollment for the 2020-21 School year was 354 full-time equivalent (FTE) students. Enrollment projected for the 2021-22 School year is also 354 FTE students, which is lower than the maximum enrollment allowed by the School's contract with the District, which provides funding of \$8,766 per student in 2021-22, compared to \$7,960 in 2020-21. Additionally, the School receives override and categorical revenues from the District on a per pupil basis, and continues to spend its allocation of federal CARES Act funds. While net revenue sources remain relatively flat, for the twelfth consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a budget stabilization factor (negative factor, previously) to reduce total program funding received. The School may need to seek other local sources to balance its budget.

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

Requests for Information

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

Summit Middle Charter School
4655 Hanover Ave.
Boulder, CO 80305

BASIC FINANCIAL STATEMENTS

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Summit Middle Charter School
STATEMENT OF NET POSITION
June 30, 2021

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT SUPPORTERS OF SUMMIT
ASSETS		
Cash and Investments	\$ 2,666,215	\$ 458,849
Accounts Receivable	4,401	-
Capital Assets, Net of Accumulated Depreciation	29,797	-
TOTAL ASSETS	<u>2,700,413</u>	<u>458,849</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Items	1,848,005	-
OPEB Related Items	22,763	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,870,768</u>	<u>-</u>
LIABILITIES		
Accounts Payable	266	-
Accrued Compensation and Benefits	211,566	-
Net Pension Liability	5,639,385	-
Net OPEB Liability	205,045	-
TOTAL LIABILITIES	<u>6,056,262</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Items	2,467,045	-
OPEB Related Items	71,065	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,538,110</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets	29,797	-
Restricted for Operations and Technology	923,837	-
Restricted for Special Education	150,000	-
Restricted for Emergencies	127,121	-
Restricted for Donations	14,444	-
Unrestricted	(5,268,390)	458,849
TOTAL NET POSITION	<u>\$ (4,023,191)</u>	<u>\$ 458,849</u>

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

Summit Middle Charter School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 1,643,741	\$ 18,172	\$ 211,735	\$ 53,553
Supporting Services	1,058,779	-	39,386	9,000
Total Governmental Activities	<u>\$ 2,702,520</u>	<u>\$ 18,172</u>	<u>\$ 251,121</u>	<u>\$ 62,553</u>
COMPONENT UNIT				
Supporters of Summit	<u>\$ 75,105</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

Per Pupil Revenue
District Mill Levy
Grants and Contributions not
Restricted to Specific Programs
Investment Income

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	
COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	SUPPORTERS OF SUMMIT
\$ (1,360,281)	\$ -
<u>(1,010,393)</u>	<u>-</u>
 (2,370,674)	 <u>-</u>
 -	 <u>(75,105)</u>
 2,816,971	 -
1,309,641	-
 71,721	 106,381
<u>-</u>	<u>646</u>
 4,198,333	 <u>107,027</u>
 1,827,659	 31,922
<u>(5,850,850)</u>	<u>426,927</u>
 <u>\$ (4,023,191)</u>	 <u>\$ 458,849</u>

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

Summit Middle Charter School
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	<u>GENERAL</u>	<u>OPERATIONS AND TECHNOLOGY</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 1,731,557	\$ 934,658	\$ 2,666,215
Accounts Receivable	4,401	-	4,401
TOTAL ASSETS	<u>\$ 1,735,958</u>	<u>\$ 934,658</u>	<u>\$ 2,670,616</u>
LIABILITIES			
Accounts Payable	\$ 266	\$ -	\$ 266
Accrued Compensation and Benefits	211,566	-	211,566
TOTAL LIABILITIES	<u>211,832</u>	<u>-</u>	<u>211,832</u>
FUND BALANCES			
Restricted for Operations and Technology	-	923,837	923,837
Restricted for Special Education	150,000	-	150,000
Restricted for Emergencies	116,300	10,821	127,121
Restricted for Donations	14,444	-	14,444
Unassigned	1,243,382	-	1,243,382
TOTAL FUND BALANCES	<u>1,524,126</u>	<u>934,658</u>	<u>2,458,784</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,735,958</u>	<u>\$ 934,658</u>	<u>\$ 2,670,616</u>

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

Total Fund Balances of Governmental Funds	\$ 2,458,784
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	29,797
Net pension (\$5,639,385) and net OPEB (\$205,045) liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	(5,844,430)
Deferred outflows of resources related to pensions \$1,848,005 and OPEB \$22,763 used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	1,870,768
Deferred inflows of resources related to pensions (\$2,467,045) and OPEB (\$71,065) used in governmental activities are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(2,538,110)</u>
Total Net Position of Governmental Activities	<u>\$ (4,023,191)</u>

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

Summit Middle Charter School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>GENERAL</u>	<u>OPERATIONS AND TECHNOLOGY</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 3,865,462	\$ 360,685	\$ 4,226,147
State Sources	88,215	-	88,215
Federal Sources	215,817	-	215,817
	<u>4,169,494</u>	<u>360,685</u>	<u>4,530,179</u>
TOTAL REVENUES			
	<u>4,169,494</u>	<u>360,685</u>	<u>4,530,179</u>
EXPENDITURES			
Current			
Instruction	2,326,662	-	2,326,662
Supporting Services	1,634,957	-	1,634,957
Capital Outlay	21,405	-	21,405
Debt Service - Principal	80,000	-	80,000
	<u>4,063,024</u>	<u>-</u>	<u>4,063,024</u>
TOTAL EXPENDITURES			
	<u>4,063,024</u>	<u>-</u>	<u>4,063,024</u>
NET CHANGE IN FUND BALANCES	106,470	360,685	467,155
FUND BALANCES, Beginning	<u>1,417,656</u>	<u>573,973</u>	<u>1,991,629</u>
FUND BALANCES, Ending	<u>\$ 1,524,126</u>	<u>\$ 934,658</u>	<u>\$ 2,458,784</u>

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

Net Change in Fund Balances of Governmental Funds	\$ 467,155
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$8,446) and the net book value of disposed assets (\$112,947) exceeded capital outlay \$21,405 in the current year.	(99,988)
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	80,000
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of pension expense \$1,366,015 and OPEB expense \$14,477 not reported in the governmental funds.	<u>1,380,492</u>
Change in Net Position of Governmental Activities	<u>\$ 1,827,659</u>

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Summit Middle Charter School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1996.

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

Reporting Entity

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

The School includes *Supporters of Summit, Inc.*, within its reporting entity. This is a non-profit organization formed to bring together the School's parents and staff, as well as the community at large, in support of the School; and to organize activities in support of the School, such as fundraising, grant writing, and technological assistance. Supporters of Summit, Inc., is discretely presented in the School's financial statements. Separate financial statements are not issued.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The primary government is reported separately from the legally separate component unit for which the School is financially accountable.

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

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

The *Operations and Technology Fund* accounts for revenues and expenditures related to an operations and technology mill levy approved by the voters November 2016.

Assets, Liabilities and Fund Balance/Net Position

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Land Improvements	15-20 years
Buildings and Improvements	20-50 years
Equipment	5-20 years

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

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

Compensated Absences - The School's policy allows accumulation of annual leave to a maximum of 160 hours for certain personnel classifications with a payout rate of \$12.60 per hour. A liability for the accrued compensated absences would be reported in the government-wide financial statements. However, no liability has been reported because the amount is insignificant.

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fund Balance Policy - The School's policy is to maintain a minimum fund balance reserve equal to 10% of the annual operating expenditures budgeted for the fiscal year. The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

On-behalf Payments

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Purchased Services

The District provides certain maintenance, insurance, administrative and other services to the School. Total current year costs charged to the School were \$939,594.

Risk Management

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

NOTE 2: CASH AND INVESTMENTS

Cash and Investments at June 30, 2021, consisted of the following.

Deposits	\$ 9,499
Cash Held by the District	<u>2,656,716</u>
Total	<u><u>\$ 2,666,215</u></u>

Deposits

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

Investments

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

The School had no investments at June 30, 2021.

Component Unit

Supporters of Summit, Inc., is a non-profit entity with its own investment policy and is not subject to State statutes. Cash and investments at June 30, 2021, consisted of the following.

Deposits	\$ 215,917
Investments	<u>242,932</u>
Total	<u><u>\$ 458,849</u></u>

At June 30, 2021, Supporters of Summit, Inc., had \$242,932 invested in the Charles Schwab Money Market Fund. The investments are valued at amortized cost and are not rated.

NOTE 3: CAPITAL ASSETS

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

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
Governmental Activities				
Capital Assets, Being Depreciated				
Land Improvements	\$ 20,810	\$ -	\$ (20,810)	\$ -
Building and Improvements	116,529	-	(116,529)	-
Equipment	12,650	21,405	-	34,055
Total Capital Assets, Being Depreciated	<u>149,989</u>	<u>21,405</u>	<u>(137,339)</u>	<u>34,055</u>
Less Accumulated Depreciation For				
Land Improvements	262	954	(1,216)	-
Building and Improvements	17,835	5,341	(23,176)	-
Equipment	2,107	2,151	-	4,258
Total Accumulated Depreciation	<u>20,204</u>	<u>8,446</u>	<u>(24,392)</u>	<u>4,258</u>
Governmental Activities Capital Assets, Net	<u>\$ 129,785</u>	<u>\$ 12,959</u>	<u>\$ (112,947)</u>	<u>\$ 29,797</u>

Depreciation expense was charged to the instruction program of the School.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 4: LONG-TERM DEBT

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

	Balance 6/30/20	Additions	Payments	Balance 6/30/21	Due Within One Year
Loan Payable	\$ 80,000	\$ -	\$ 80,000	\$ -	\$ -

The School's building is owned by the District. In 2016, the District commenced a capital construction project to improve the School's building. The initial project budget was \$9,910,000. During the fiscal year ended June 30, 2016 the School contributed \$642,000 and Supporters of Summit, Inc. contributed \$658,000 to the District to enhance the scope of the project and increase the project budget to \$11,210,000. In addition, the School contributed an additional \$400,000 to the District to complete the project during the fiscal year ended June 30, 2017. The contribution was made in the form of a loan from the District. The loan payable bears no interest and requires minimum annual payments of \$80,000, beginning in the fiscal year ended June 30, 2017. The loan was paid in full during the fiscal year ended June 30, 2021.

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions provisions as of June 30, 2021 - Eligible employees 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 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer Contribution Rate	10.90%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer Contribution Rate to the SCHDTF	19.88%

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$410,662 for the year ended June 30, 2021.

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the School reported a liability of \$5,639,385 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	\$	5,639,385
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	\$	-
Total	\$	<u><u>5,639,385</u></u>

At December 31, 2020, the School's proportion was 0.03730249 percent, which was an increase of 0.00492393 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$1,347,052 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 309,856	\$ -
Changes of assumptions or other inputs	542,491	947,933
Net difference between projected and actual earnings on pension plan investments	-	1,241,357
Changes in proportion and differences between contributions recognized and proportionate share of contributions	788,526	277,755
Contributions subsequent to the measurement date	207,132	-
Total	<u><u>\$ 1,848,005</u></u>	<u><u>\$ 2,467,045</u></u>

\$207,132 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30,

2022	\$	(902,834)
2023		362,198
2024		(89,705)
2025		(195,831)
2026		-
Thereafter		-

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% – 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	1.25%
PERA Benefit Structure hired after 12/31/06 ¹	Financed by the AIR

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

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

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

- 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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

Several factors 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.

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 7,692,583	\$ 5,639,385	\$ 3,928,394

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$21,070 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$205,045 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was 0.02157856 percent, which was an increase of 0.00041797 percent from its proportion measured as of December 31, 2019.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

For the year ended June 30, 2021, the School recognized net negative OPEB expense of \$13,679. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 544	\$ 45,079
Changes of assumptions or other inputs	1,532	12,573
Net difference between projected and actual earnings on OPEB plan investments	-	8,378
Changes in proportion and differences between contributions recognized and proportionate share of contributions	9,922	5,035
Contributions subsequent to the measurement date	10,765	-
Total	<u>\$ 22,763</u>	<u>\$ 71,065</u>

\$10,765 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2022	\$ (13,078)
2023	(11,906)
2024	(14,711)
2025	(14,526)
2026	(4,565)
Thereafter	(281)

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

- 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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend	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	\$199,745	\$205,045	\$211,215

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$234,883	\$205,045	\$179,551

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2021, the emergency reserve of \$127,121 was reported as restricted fund balance and net position.

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REQUIRED SUPPLEMENTARY INFORMATION

Summit Middle Charter School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,873,346	\$ 2,817,031	\$ 2,816,971	\$ (60)
District Mill Levy	888,152	948,957	948,956	(1)
Student Fees	61,500	22,500	13,506	(8,994)
Grants and Contributions	43,985	117,000	86,029	(30,971)
State Sources				
Capital Construction	49,467	54,225	53,553	(672)
Grants and Contributions	24,347	34,299	34,662	363
Federal Sources				
Grants	-	148,241	215,817	67,576
	<u>3,940,797</u>	<u>4,142,253</u>	<u>4,169,494</u>	<u>27,241</u>
EXPENDITURES				
Instruction and Special Instruction	2,387,754	2,453,819	2,334,047	119,772
Student Support Services	102,315	105,454	101,274	4,180
Instructional Staff Support Services	146,436	120,432	119,406	1,026
General Administration	103,201	98,054	61,832	36,222
School Administration	638,855	662,422	654,371	8,051
Business Services	53,364	53,701	53,700	1
Operations and Maintenance	340,633	423,088	407,639	15,449
Central Services	208,347	223,136	250,755	(27,619)
Central Services Allocated to				
Operations and Technology Fund	-	(51,378)	-	(51,378)
Debt Service - Principal	80,000	80,000	80,000	-
Reserves	1,227,352	1,391,181	-	1,391,181
	<u>5,288,257</u>	<u>5,559,909</u>	<u>4,063,024</u>	<u>1,496,885</u>
NET CHANGE IN FUND BALANCE	(1,347,460)	(1,417,656)	106,470	1,524,126
FUND BALANCE, Beginning	<u>1,361,738</u>	<u>1,417,656</u>	<u>1,417,656</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 14,278</u>	<u>\$ -</u>	<u>\$ 1,524,126</u>	<u>\$ 1,524,126</u>

Summit Middle Charter School
BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND TECHNOLOGY FUND
Year Ended June 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE TO FINAL Positive (Negative)
REVENUES				
District Mill levy	\$ 340,009	\$ 360,685	\$ 360,685	\$ -
TOTAL REVENUES	<u>340,009</u>	<u>360,685</u>	<u>360,685</u>	<u>-</u>
EXPENDITURES				
Operations and Maintenance	105,600	15,300	-	15,300
Central Services Allocated from General Fund	-	51,378	-	51,378
Reserves	<u>801,277</u>	<u>867,980</u>	<u>-</u>	<u>867,980</u>
TOTAL EXPENDITURES	<u>906,877</u>	<u>934,658</u>	<u>-</u>	<u>934,658</u>
NET CHANGE IN FUND BALANCE	(566,868)	(573,973)	360,685	934,658
FUND BALANCE, Beginning	<u>566,868</u>	<u>573,973</u>	<u>573,973</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 934,658</u>	<u>\$ 934,658</u>

Summit Middle Charter School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION AND OTHER POST EMPLOYMENT BENEFIT LIABILITIES
June 30, 2021

As of December 31,	2020	2019	2018
Net Pension Liability			
School's proportion of the net pension liability	0.03730249%	0.03237856%	0.03341710%
School's proportionate share of the net pension liability	\$ 5,639,385	\$ 4,837,287	\$ 5,917,183
State's proportionate share of the net pension liability associated with the School**	-	613,548	809,093
Total	\$ 5,639,385	\$ 5,450,835	\$ 6,726,276
School's covered payroll	1,995,469	1,902,672	1,837,115
School's proportionate share of the net pension liability as a percentage of its covered payroll	282.61%	254.24%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%
Net Other Post Employment Benefit (OPEB) Liability			
School's proportion of the net OPEB liability	0.02157856%	0.02116059%	0.02172127%
School's proportionate share of the net OPEB liability	205,045	237,845	295,527
School's covered payroll	1,995,469	1,902,672	1,837,115
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.28%	12.50%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%

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

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

2017	2016	2015	2014	2013
0.03758739%	0.03642364%	0.03666203%	0.03556924%	0.03331072%
\$ 12,154,427	\$ 10,844,725	\$ 5,607,198	\$ 4,820,827	\$ 4,197,248
-	-	-	-	-
<u>\$ 12,154,427</u>	<u>\$ 10,844,725</u>	<u>\$ 5,607,198</u>	<u>\$ 4,820,827</u>	<u>\$ 4,197,248</u>
1,733,863	1,634,760	1,597,739	1,490,094	1,326,576
701.00%	663.38%	350.95%	323.52%	316.40%
43.96%	43.10%	59.20%	62.80%	64.06%
0.02135703%	0.02070365%			
277,556	268,430			
1,733,863	1,634,760			
16.01%	16.42%			
17.53%	16.72%			

Summit Middle Charter School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
June 30, 2021

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Defined Benefit Pension Plan			
Statutorily required contributions	\$ 410,662	\$ 371,844	\$ 362,401
Contributions in relation to the statutorily required contribution	<u>410,662</u>	<u>371,844</u>	<u>362,401</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,065,704	1,918,702	1,894,414
Contribution as a percentage of covered payroll	19.88%	19.38%	19.13%
Defined Benefit Other Post Employment Benefit Plan			
Statutorily required contributions	\$ 21,070	\$ 19,571	\$ 19,323
Contributions in relation to the statutorily required contribution	<u>21,070</u>	<u>19,571</u>	<u>19,323</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,065,704	1,918,702	1,894,414
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 339,406	\$ 301,733	\$ 292,546	\$ 265,313	\$ 223,256
<u>339,406</u>	<u>301,733</u>	<u>292,546</u>	<u>265,313</u>	<u>223,256</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,798,747	1,641,639	1,650,008	1,571,759	1,397,096
18.87%	18.38%	17.73%	16.88%	15.98%
\$ 18,347	\$ 16,745	\$ 16,830	\$ 16,032	\$ 14,250
<u>18,347</u>	<u>16,745</u>	<u>16,830</u>	<u>16,032</u>	<u>14,250</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,798,747	1,641,639	1,650,008	1,571,759	1,397,096
1.02%	1.02%	1.02%	1.02%	1.02%

Summit Middle Charter School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The budgets are adopted for the School on a basis consistent with generally accepted accounting principles (GAAP).

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

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

Net Pension and Other Post Employment Benefit Liabilities

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