

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2021

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JOHN CUTLER & ASSOCIATES

Board of Directors
St. Vrain Community Montessori School
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Vrain Community Montessori School (the "School"), component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the school's proportionate share, and schedules of the school's contributions on pages 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's financial statements. The combining schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of 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 combining schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John Luther & Associates, LLC

October 29, 2021

St. Vrain Community Montessori School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2021

As management of St. Vrain Community Montessori School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2021, was the twelfth year of operations for the School. As of June 30, 2021, the net position was a negative \$3,517,991 due primarily to the implementation of GASB 68 & GASB 75. GASB 68 & 75 are pension and post-employment benefit disclosures. The General Fund ending fund balance increased from \$990,627 to \$1,020,016. This was an increase of \$29,389 or 1.1% of General Fund expenditures. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). State categorical revenue or Per Pupil Revenue (PPR) for the year was \$1,776,461.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

The School adopts annual budgets for its funds. Budgetary comparisons have been provided for each governmental fund in the basic financial statements to demonstrate compliance with these budgets.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are shown on pages 6 through 39.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial condition. As of June 30, 2021, the School's liabilities and deferred inflows exceeded assets and deferred outflows by \$3,517,991. \$81,000 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The negative net position of \$3,517,991 decreased from the prior fiscal year by \$809,052, or 18.7% principally because the School recognized a smaller net PERA pension liability.

Net position as of June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Assets		
Cash and Investments	\$ 1,090,735	\$ 1,078,621
Receivables and Other Current Assets	37,026	115,875
Capital Assets, Net	139,002	110,143
Deposits	13,841	13,841
Prepaid Expenses	<u>66,465</u>	<u>43,665</u>
Total Assets	<u>1,347,069</u>	<u>1,362,145</u>
Deferred Outflows, Pensions/OPEB	1,391,411	676,493
Liabilities		
Accounts Payable	33,495	140,108
Due to District	285	117
Accrued Expenses	14,187	12,490
Unearned Revenue	140,084	108,660
Net Pension/OPEB Liability	<u>4,299,351</u>	<u>3,782,360</u>
Total Liabilities	<u>4,487,402</u>	<u>4,043,735</u>
Deferred Inflows, Pensions/OPEB	1,769,069	2,321,946
Net Position		
Net Investment in Capital Assets	139,002	110,143

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Restricted for Emergencies	81,000	84,500
Unrestricted	<u>(3,737,993)</u>	<u>(4,521,686)</u>
Total Net Position	\$ <u>(3,517,991)</u>	\$ <u>(4,327,043)</u>

Change in net position for the year ended June 30, 2021 and June 30, 2020:

	2021	2020
Revenues		
Program Revenues		
Charges for Services	\$ 221,838	\$ 238,056
Operating Grants and Contributions	451,059	276,150
Capital Grants and Contributions	<u>121,353</u>	<u>60,789</u>
Total Program Revenues	<u>794,250</u>	<u>574,995</u>
General Revenues		
State Categorical Revenue/PPR	1,776,461	1,809,406
Mill Levy Override	384,630	375,867
Earnings on Investments	1,907	10,084
Other	<u>18,057</u>	<u>163,299</u>
Total General Revenues	<u>2,181,055</u>	<u>2,358,656</u>
Total Revenues	<u>2,975,305</u>	<u>2,933,651</u>
Expenditures/Expenses		
Current		
Instruction	1,001,246	1,475,124
Supporting Services	1,165,007	1,145,232
Other Operating Expenditures	<u>-</u>	<u>-</u>
Total Expenses	<u>2,166,253</u>	<u>2,620,356</u>
Increase in Net Position	809,052	313,295
Net Position, Beginning of Year	<u>(4,327,043)</u>	<u>(4,640,338)</u>
Net Position, End of Year	\$ <u>(3,517,991)</u>	\$ <u>(4,327,043)</u>

St. Vrain Community Montessori School
Management’s Discussion and Analysis
As of and for the Year Ended June 30, 2021

Financial Analysis of the School’s Funds

The School reports two governmental funds, the General Fund, and Grants Fund. The General Fund is considered a major fund and is used to account for the School’s general operations. The General Fund began the year with a positive fund balance of \$990,627. Fund Balance in the General Fund increased to \$1,020,016 at year-end. The increase of \$29,389 was 1.1% of total expenditures and can be attributed to additional State and Federal Grant funding. Eighty four percent of fund balance is unassigned. The Grants Fund ended the year with no fund balance as it began the year.

General Fund and Grants Fund Budgetary Highlights

The School’s consolidated General Fund budget had expenditures of \$2,760,740 for the year ended June 30, 2021. Actual expenditures were \$2,697,361. The Grants Fund had budgetary expenditures of \$275,000 with actual expenditures of \$248,555.

A budget amendment was approved for the Grants Fund increasing the appropriation to \$275,000.

Capital Assets and Debt Administration

Net capital assets were \$139,002 at June 30, 2021. The School leases its school facility and land under operating leases with a third party that expire in 2022 with options to extend until 2024. Please refer to Note 8, page 39 for details on all leases. Total lease expense for the year was \$246,683. The School had no outstanding debt at June 30, 2021.

Economic Factors, Next Year’s Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. The following is a historical summary taken from the Colorado Department of Education (CDE) data base:

FY	FPC	PK	K-8	Total	Student % CHG.
FY10	72	22	87	109	
FY11	99	26	112	138	26.61%
FY12	116.3	21	131	152	10.14%
FY13	139	26	152	178	17.11%
FY14	158	22	174	196	10.11%
FY15	178.3	22	185	207	5.61%
FY16	189.6	25	206	231	11.59%
FY17	193.7	27	210	237	2.60%
FY18	218.7	37	233	270	13.92%
FY19	212.88	43	228	271	0.37%
FY20	219	39	219	258	-4.80%
FY21	223	26	223	249	-3.49%

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

The enrollment budgeted for the FY22 was 235 K-8 students and 44 P-K for a total of 279. However, the enrollment should be very similar to FY20 or 259 students. State funding or Per Pupil Revenue (PPR) increased substantially for FY22. The 10.62% increase puts PPR at \$8,792.44 per student. This increase more than offset the 4.1% decrease in PPR in FY21. Current projections suggest a small surplus for FY22 resulting in days of operating Fund Balance on hand at 115 or almost 4 months. With the additional Federal financial support, Colorado's economy continues to rebound which should support continued growth in K-12 funding.

Requests for Information

The financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to St. Vrain Community Montessori School, 1055 Delaware Ave., Longmont, Colorado 80501.

BASIC FINANCIAL STATEMENTS

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF NET POSITION
Year Ended June 30, 2021

	Governmental Activities	
	2021	2020
ASSETS		
Cash and Investments	\$ 1,090,735	\$ 1,078,621
Accounts Receivable	37,026	115,875
Prepaid Expenses	66,465	43,665
Deposits	13,841	13,841
Capital Assets, not depreciated	-	-
Capital Assets, Depreciated, net of accumulated depreciation	139,002	110,143
	<u>1,347,069</u>	<u>1,362,145</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,364,857	644,980
Related to OPEB	26,554	31,513
	<u>1,391,411</u>	<u>676,493</u>
LIABILITIES		
Accounts Payable	33,495	140,108
Due to District	285	117
Accrued Expenses	14,187	12,490
Unearned Revenues	140,084	108,660
Noncurrent Liabilities		
Net Pension Liability	4,148,518	3,605,103
Net OPEB Liability	150,833	177,257
	<u>4,487,402</u>	<u>4,043,735</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	1,719,616	2,289,201
Related to OPEB	49,453	32,745
	<u>1,769,069</u>	<u>2,321,946</u>
NET POSITION		
Net Investment in Capital Assets	139,002	110,143
Restricted for Emergencies	81,000	84,500
Unrestricted	(3,737,993)	(4,521,686)
	<u>\$ (3,517,991)</u>	<u>\$ (4,327,043)</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

BALANCE SHEET
Year Ended June 30, 2021

	GENERAL FUND	GRANTS FUND	TOTAL	
			2021	2020
ASSETS				
Cash and Investments	\$ 1,090,735	\$ -	\$ 1,090,735	\$ 1,078,621
Accounts Receivable	8,100	28,926	37,026	115,875
Due from Other Funds	14,130	-	14,130	-
Prepaid Expenses	66,465	-	66,465	43,665
Deposits	13,841	-	13,841	13,841
TOTAL ASSETS	\$ 1,193,271	\$ 28,926	\$ 1,222,197	\$ 1,252,002
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 33,495	\$ -	\$ 33,495	\$ 140,108
Due to Other Funds	-	14,130	14,130	-
Due to District	285	-	285	117
Payroll Liabilities	12,891	1,296	14,187	12,490
Unearned Revenues	126,584	13,500	140,084	108,660
TOTAL LIABILITIES	173,255	28,926	202,181	261,375
FUND BALANCES				
Nonspendable	80,306	-	80,306	57,506
Restricted for Emergencies	81,000	-	81,000	84,500
Unassigned	858,710	-	858,710	848,621
TOTAL FUND BALANCES	1,020,016	-	1,020,016	990,627
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,193,271	\$ 28,926		

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

Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	139,002	110,143
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$4,148,518), net OPEB liability (\$150,833) deferred outflows related to pensions of \$1,364,857 deferred outflows related to OPEB of \$26,554, deferred inflows related to pensions of (\$1,719,616), and deferred inflows related to of OPEB (\$49,453).	(4,677,009)	(5,427,813)
Net position of governmental activities	<u>\$ (3,517,991)</u>	<u>\$ (4,327,043)</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2021

	GENERAL FUND	GRANTS FUND	TOTAL	
			2021	2020
REVENUES				
Local Sources	\$ 2,726,527	\$ -	\$ 2,726,527	\$ 2,811,193
State and Federal Sources	223	248,555	248,778	121,896
 TOTAL REVENUES	 <u>2,726,750</u>	 <u>248,555</u>	 <u>2,975,305</u>	 <u>2,933,089</u>
EXPENDITURES				
Current				
Instruction	1,549,346		1,549,346	1,629,413
Supporting Services	1,148,015	248,555	1,396,570	1,205,448
 TOTAL EXPENDITURES	 <u>2,697,361</u>	 <u>248,555</u>	 <u>2,945,916</u>	 <u>2,834,861</u>
 NET INCOME (LOSS)	 29,389	 -	 29,389	 98,228
 FUND BALANCES, Beginning	 <u>990,627</u>	 <u>-</u>	 <u>990,627</u>	 <u>892,399</u>
 FUND BALANCES, Ending	 <u>\$ 1,020,016</u>	 <u>\$ -</u>	 <u>\$ 1,020,016</u>	 <u>\$ 990,627</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$ 29,389
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$55,730, was exceeded depreciation expense (\$26,871), for the year.	28,859
Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>750,804</u>
Change in net position of governmental activities	<u><u>\$ 809,052</u></u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Vrain Community Montessori School (the “School”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school within the St. Vrain Valley School District (the “District”) in the State of Colorado.

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

Reporting Entity

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

Based upon the application of these criteria, there are no organizations that should be included in the School’s reporting entity.

The School is a component unit of the St. Vrain Valley School District (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 of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The School reports the following major governmental funds:

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

Grants Fund – This fund is used to account for grant revenues and related expenditures.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: leasehold remaining life of lease.

Unearned Revenues – Unearned revenues include tuition payments that have been collected for the following school year.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2021, the School reports nonspendable fund balance in the form of prepaid expenses and deposits.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2021.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

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 purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

Legal Compliance

The actual expenditures of the Grants fund exceeded the budget by \$45,675. This may be a violation of State statute.

NOTE 3: CASH AND INVESTMENTS

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

Cash on Hand	\$	700
Deposits		548,546
Investments		<u>541,489</u>
Total	\$	<u>1,090,735</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The School has no policy regarding custodial credit risk for deposits.

At June 30, 2021, the School had deposits with financial institutions with a carrying amount of \$548,546. The bank balances with the financial institutions were \$586,615. Of these balances, \$250,000 was covered by federal depository insurance and \$336,615 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

Local Government Investment Pools

At June 30, 2021, The School had invested \$541,489 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	\$ 686,952	\$ 55,730	\$ -	\$ 742,682
Machinery and Equipment	<u>60,234</u>	<u>-</u>	<u>-</u>	<u>60,234</u>
Total Capital Assets, Being Depreciated	<u>747,186</u>	<u>55,730</u>	<u>-</u>	<u>802,916</u>
Accumulated Depreciation				
Leasehold Improvements	600,195	23,582	-	623,777
Machinery and equipment	<u>36,848</u>	<u>3,289</u>	<u>-</u>	<u>40,137</u>
Total Accumulated Depreciation	<u>637,043</u>	<u>26,871</u>	<u>-</u>	<u>663,914</u>
Net Capital Assets	<u>\$ 110,143</u>	<u>\$ 28,859</u>	<u>\$ -</u>	<u>\$ 139,002</u>

Depreciation expense is charged to the supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from July to June but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$14,188. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (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 made 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.

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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

Contributions provisions as of June 30, 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).

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (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 \$298,160 for the year ended June 30, 2021.

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.

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 \$4,148,518 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:

School's proportionate share of the net pension liability	\$4,148,518
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	\$4,148,518

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2020, the School's proportion was .0274 percent, which was an increase of .0033 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$709,163 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$227,940	N/A
Changes of assumptions or other inputs	\$399,075	\$697,331
Net difference between projected and actual earnings on pension plan investments	N/A	\$913,183
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$590,224	\$109,102
Contributions subsequent to the measurement date	\$147,618	N/A
Total	\$1,364,857	\$1,719,616

\$147,618 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:

Year ended June 30:	
2022	(\$564,890)
2023	\$283,650
2024	(\$77,076)
2025	(\$144,061)

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹Post-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 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's 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 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

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

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

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)]

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

- 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 current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, 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 position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)]

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

Based on the above assumptions and methods, the SCHD'TF'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 rate 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	\$5,658,918	\$4,148,518	\$2,889,857

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

NOTE 7: 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (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 and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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.

DPS Benefit Structure

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$14,552 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 \$150,833 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 .0159 percent, which was an increase of .00001 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$9,795.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$400	\$33,161
Changes of assumptions or other inputs	\$1,127	\$9,249
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$6,163
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$17,822	\$880
Contributions subsequent to the measurement date	\$7,205	N/A
Total	\$26,554	\$49,453

\$7,205 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	(\$4,946)
2023	(\$4,084)
2024	(\$7,700)
2025	(\$9,395)
2026	(\$3,731)
Thereafter	(\$248)

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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 used to measure the total OPEB liability are summarized in the table below:

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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

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

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

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

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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

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

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

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

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

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

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

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

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

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 percent.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$146,940	\$150,833	\$155,377

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: 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)

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	\$172,788	\$150,833	\$132,084

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

NOTE 8: COMMITMENTS AND CONTINGENCIES

Operating Lease

The School renewed its operating lease for their building. Monthly lease payments ranging from \$3,358 to \$3,462 were due through July 31, 2015. The School also has extended an existing lease for land for outdoor space and additional modular space near their building. The monthly payments for this lease ranged from \$1,200 to \$2,000 a month and were due through June 30, 2015. The School also entered a lease on July 1, 2013 for additional building space in the with monthly lease payments ranging from \$2,039 to \$2,207 which were due through June 30, 2015. The above leases were extended through July 2018.

In June of 2018 the School executed lease extensions for their buildings which extended all of the above leases through July 31, 2019 with payments ranging from \$1,600 to \$4,909 per month.

During the fiscal year ended June 30, 2018, the School entered into an operating lease for two modular buildings. Monthly lease payment on the buildings is \$895 through June 2020.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Operating Leases (Continued)

In September of 2020, the School signed leases for 19,448 rentable square feet. The lease rates range from \$3,601 to \$6,092. The leases expire July 31, 2021 with options to renew until July 31, 2023.

Total rent expense for the year ended June 30, 2021 for these leases was \$246,683.

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2021, the reserve of \$81,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 9: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position in the amount of \$3,571,801 due to the School including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through October 29, 2021. It was determined that no events are required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GENERAL FUND
Year Ended June 30, 2021

	2021			VARIANCE	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per pupil revenue	\$ 1,709,667	\$ 1,746,608	\$ 1,776,461	\$ 29,853	\$ 1,809,406
Mill Levy	378,867	388,070	384,630	(3,440)	375,867
Tuition and Fees	300,218	289,275	221,838	(67,437)	308,267
Grants and Contributions	233,425	248,425	323,634	75,209	227,652
Interest	8,855	2,400	1,907	(493)	10,084
Other	2,500	13,500	18,057	4,557	113,209
State and Federal	127,208	72,462	223	(72,239)	-
TOTAL REVENUES	<u>2,760,740</u>	<u>2,760,740</u>	<u>2,726,750</u>	<u>(33,990)</u>	<u>2,844,485</u>
EXPENDITURES					
Instruction					
Salaries	1,110,646	1,074,810	1,114,813	(40,003)	1,113,795
Employee Benefits	379,041	421,521	356,144	65,377	377,640
Purchased Services	3,700	3,700	20,167	(16,467)	7,610
Supplies and Materials	25,834	25,034	47,839	(22,805)	67,999
Property	3,500	7,500	9,606	(2,106)	33,891
Other	16,671	15,821	777	15,044	663
TOTAL INSTRUCTION	<u>1,539,392</u>	<u>1,548,386</u>	<u>1,549,346</u>	<u>(960)</u>	<u>1,601,598</u>
Supporting Services					
Salaries	407,033	381,627	398,123	(16,496)	413,538
Employee Benefits	137,881	163,333	140,323	23,010	139,736
Purchased Services	442,071	420,164	372,345	47,819	383,201
Supplies and Materials	104,436	100,826	47,918	52,908	60,185
Property	5,000	2,750	57,770	(55,020)	16,586
Other	93,428	143,654	131,536	12,118	131,413
TOTAL SUPPORTING SERVICES	<u>1,189,849</u>	<u>1,212,354</u>	<u>1,148,015</u>	<u>64,339</u>	<u>1,144,659</u>
TOTAL EXPENDITURES	<u>2,729,241</u>	<u>2,760,740</u>	<u>2,697,361</u>	<u>63,379</u>	<u>2,746,257</u>
NET CHANGE IN FUND BALANCE					
	31,499	-	29,389	29,389	98,228
FUND BALANCE, Beginning	<u>882,372</u>	<u>990,627</u>	<u>990,627</u>	<u>-</u>	<u>892,399</u>
FUND BALANCE, Ending	<u>\$ 913,871</u>	<u>\$ 990,627</u>	<u>\$ 1,020,016</u>	<u>\$ 29,389</u>	<u>\$ 990,627</u>

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GRANTS FUND
Year Ended June 30, 2021

	2021			VARIANCE	2020
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources	\$ 1,769	\$ 1,769	\$ -	\$ (1,769)	\$ 1,434
State and Federal Sources	66,217	273,231	248,555	(24,676)	87,170
TOTAL REVENUES	67,986	275,000	248,555	(26,445)	88,604
EXPENDITURES					
Salaries	15,234	58,693	44,730	13,963	15,234
Employee Benefits	1,855	1,855	2,915	(1,060)	1,855
Purchased Services	48,659	98,250	87,355	10,895	60,789
Supplies and Materials	2,238	116,202	113,555	2,647	10,726
TOTAL EXPENDITURES	67,986	275,000	248,555	26,445	88,604
NET CHANGE IN FUND BALANCE	-	-	-	-	-
FUND BALANCE, Beginning	-	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportionate share of the Net Pension Liability	0.017%	0.018%	0.021%	0.230%	0.025%	0.237%	0.241%	0.274%
School's proportionate share of the Net Pension Liability	\$ 2,172,426	\$ 2,504,017	\$ 3,215,713	\$ 3,513,166	\$ 8,160,991	\$ 4,189,303	\$ 3,605,103	\$ 4,148,518
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	572,829	579,168	-
Total portion of the Net Pension Liability associated with the School	\$ 2,172,426	\$ 2,504,017	\$ 3,215,713	\$ 3,513,166	\$ 8,160,991	\$ 4,762,132	\$ 4,184,271	\$ 4,148,518
School's covered payroll	\$ 689,659	\$ 773,972	\$ 916,386	\$ 1,107,608	\$ 1,164,185	\$ 1,300,659	\$ 1,417,995	\$ 1,426,600
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	315.0%	323.5%	350.9%	317.2%	701.0%	322.1%	254.2%	290.8%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%	57.01%	64.52%	66.99%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 118,453	\$ 153,475	\$ 181,554	\$ 214,931	\$ 229,266	\$ 265,559	\$ 283,615	\$ 298,160
Contributions in relation to the Statutorily required contributions	<u>118,453</u>	<u>153,475</u>	<u>181,554</u>	<u>214,931</u>	<u>229,266</u>	<u>265,559</u>	<u>283,615</u>	<u>298,160</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 696,520	\$ 857,010	\$ 968,117	\$ 1,107,608	\$ 1,213,131	\$ 1,388,180	\$ 1,463,424	\$ 1,426,600
Contributions as a percentage of covered payroll	17.01%	17.91%	18.75%	19.40%	18.90%	19.13%	19.38%	20.90%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportionate share of the Net Pension Liability	0.013%	0.014%	0.015%	0.016%	0.016%
School's proportionate share of the Net Pension Liability	\$ 169,288	\$ 186,367	\$ 209,230	\$ 177,257	\$ 150,833
School's covered payroll	\$ 1,107,608	\$ 1,164,185	\$ 1,300,659	\$ 1,417,995	\$ 1,426,600
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	15.3%	16.0%	16.1%	12.5%	10.6%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%	17.03%	24.49%	32.78%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 11,298	\$ 12,384	\$ 14,159	\$ 14,925	\$ 14,552
Contributions in relation to the Statutorily required contributions	<u>11,298</u>	<u>12,384</u>	<u>14,159</u>	<u>14,925</u>	<u>14,552</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,107,608	\$ 1,213,131	\$ 1,388,180	\$ 1,463,424	\$ 1,426,600
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.

COMBING SCHEDULES

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

COMBINING BALANCE SHEET

June 30, 2021

	GENERAL FUND	PRESCHOOL FUND	PUPIL ACTIVITIES	TOTAL
ASSETS				
Cash	\$ 924,601	\$ (35,573)	\$ 215,837	\$ 1,104,865
Accounts Receivable	8,100	-	-	8,100
Due from Other Funds	89,254	35,573	-	124,827
Prepaid Expenditures	66,465	-	-	66,465
Deposits	13,841	-	-	13,841
	<u>1,102,261</u>	<u>-</u>	<u>215,837</u>	<u>1,318,098</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 33,535	\$ -	\$ -	\$ 33,535
Accounts Payable - District	245	-	-	245
Due to Other Funds	35,573	-	89,254	124,827
Accrued Expenses	12,892	-	-	12,892
Unearned Revenues	-	-	126,583	126,583
	<u>82,245</u>	<u>-</u>	<u>215,837</u>	<u>298,082</u>
TOTAL LIABILITIES				
FUND BALANCES				
Nonspendable	80,306	-	-	80,306
Restricted for Emergencies	81,000	-	-	81,000
Unassigned	858,710	-	-	858,710
	<u>1,020,016</u>	<u>-</u>	<u>-</u>	<u>1,020,016</u>
TOTAL FUND BALANCES				
TOTAL LIABILITIES AND FUND BALANCES				
	<u>\$ 1,102,261</u>	<u>\$ -</u>	<u>\$ 215,837</u>	<u>\$ 1,318,098</u>

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2021

	GENERAL FUND	PRESCHOOL FUND	PUPIL ACTIVITIES	TOTAL
REVENUES				
Local Sources				
Per pupil revenue	\$ 1,776,461	\$ -		\$ 1,776,461
Mill Levy	384,630	-		384,630
Tuition and Fees	3,360	93,651	63,290	160,301
Grants and Contributions	152,013		54,601	206,614
Interest	1,907			1,907
Other	71,788			71,788
State and Federal				
Grants and Contributions	223			223
TOTAL REVENUES	2,390,382	93,651	117,891	2,601,924
EXPENDITURES				
Current				
Salaries	1,413,712	99,224	-	1,512,936
Employee Benefits	467,447	29,019	-	496,466
Purchased Services	411,515	-	70	411,585
Supplies and Materials	47,974	981	28,567	77,522
Property	67,376	-	-	67,376
Other	6,650	-	-	6,650
TOTAL EXPENDITURES	2,414,674	129,224	28,637	2,572,535
	81,000			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(24,292)	(35,573)	89,254	29,389
OTHER FINANCING SOURCES (USES)				
Transfers In	89,254	35,573	-	124,827
Transfers Out	(35,573)	-	(89,254)	(124,827)
TOTAL OTHER FINANCING SOURCES (USES)	53,681	35,573	(89,254)	-
NET CHANGE IN FUND BALANCES	29,389	-	-	29,389
FUND BALANCES, Beginning	990,627	-	-	990,627
FUND BALANCES, Ending	\$ 1,020,016	\$ -	\$ -	\$ 1,020,016

See the accompanying independent auditors' report.