

SALIDA MONTESSORI CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2021

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JOHN CUTLER & ASSOCIATES

Board of Directors
Salida Montessori Charter School
Salida, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities and each major fund of Salida Montessori Charter School (the "School"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type and each major fund of Salida Montessori Charter School as of June 30, 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 and required supplemental information on pages 45 - 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luthr & Associates, LLC

October 15, 2021

Salida Montessori Charter School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2021

As management of Salida Montessori Charter School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 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 ending June 30, 2021, was the sixth year of operations for the School. As of June 30, 2021, the net position was (\$1,473,337). The negative net position is due to the reporting of the School's proportionate share of the Public Employees Retirement Association (PERA) unfunded pension liability and the OPEB (Other than Pension Post-Employment Benefits) liability. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). Per Pupil Revenue (PPR) for the year was \$677,021. The General Fund ending fund balance increased \$86,957 to \$489,897, or 21.6%. The increase can be attributed to operating with the annual budget and the receipt of CSI and Federal COVID support.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

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

Proprietary Fund. The Salida Montessori Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of \$97,338. The Building Corporation was created in FY18 for the purpose of acquiring a future permanent site for the School.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are disclosed on pages 9 through 44.

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 \$1,473,337. \$29,000 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 School's unrestricted net position balance was (\$1,516,831) reflecting an improvement of \$503,910 over the prior year.

Net Position Governmental and Business-Type Activities for the period ending June 30, 2021 and 2020 respectively:

	June 30, 2021	June 30, 2020
Assets		
Cash and Investments	\$ 547,852	\$ 529,017
Accounts Receivable	40,028	9,647
Grants Receivable	-	-
Prepaid Expenses	9,777	10,425
Capital Assets (Net)	611,721	629,411
Total Assets	1,209,378	1,178,500
Deferred Outflows – Pensions/OPEB	408,636	229,402
Liabilities		
Accounts Payable and Accrued Liabilities	22,426	16,280
Accrued Salaries and Benefits	52,475	40,917
Unearned Revenue	32,748	88,204
Noncurrent Liability - Loan	500,000	611,747
Noncurrent Liability – Net Pension/OPEB Liability	1,674,669	1,573,099

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Total Liabilities	<u>2,282,318</u>	<u>2,330,247</u>
Deferred Inflows – Pensions/OPEB	<u>711,695</u>	<u>1,043,749</u>
Net Position		
Net Investment in Capital Assets	111,721	17,664
Restricted for Emergencies	29,000	36,235
Unrestricted	<u>(1,516,720)</u>	<u>(2,019,993)</u>
Total Net Position	<u>\$ (1,375,999)</u>	<u>\$ (1,966,094)</u>

Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2021 and 2020 respectively:

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Revenues		
Program Revenues		
Operating Grants and Contributions	\$ 210,619	\$ 138,056
Charges for Services	<u>229,519</u>	<u>265,826</u>
Total Program Revenues	<u>440,138</u>	<u>403,882</u>
General Revenues		
Per Pupil Revenue	677,021	702,338
Capital Construction	26,323	23,981
Mill Levy Equalization	25,734	35,127
Interest Income	73	55
Restricted Grants and Contributions	-	8,657
Special Item Debt Forgiven, Other	<u>121,316</u>	<u>7,695</u>
Total General Revenues	<u>850,467</u>	<u>777,853</u>
Total Revenues	<u>1,290,605</u>	<u>1,181,735</u>
Expenses		
Instruction	386,436	530,775
Supporting Services	272,598	355,893
Interest, Fiscal Charges, Depreciation	<u>41,476</u>	<u>39,283</u>
Total Expenses	<u>700,510</u>	<u>925,951</u>
Decrease in Net Position	590,095	255,784
Net Position, Beginning of Year	<u>(1,966,094)</u>	<u>(2,221,878)</u>
Net Position, End of Year	<u>\$ (1,375,999)</u>	<u>\$ (1,966,094)</u>

Salida Montessori Charter School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2021

Financial Analysis of the School's Fund

The School has one governmental fund, the General Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with a positive fund balance of \$402,940. As a result of operating within its budget and receiving CSI reserve funding and Federal CRF and ESSER support, the General Fund ending fund balance increased to \$489,897 at year-end or an increase of 21.6%. Ninety two percent of the General Fund ending fund balance is unassigned.

General Fund Budgetary Highlights

The School budgeted General Fund expenditures and transfers of \$1,123,753 for the year ended June 30, 2021. Actual expenditures were \$1,062,986. Total revenue and transfers budgeted was \$1,123,753 with actual revenue of \$1,149,943. There were positive variances from budget in both revenues and expense exceeding \$48,000. A budget amendment was not passed during the year.

Capital Assets and Debt Administration

The School leases its school facilities under two operating lease agreements that were signed in April 2015. The lease options were again extended one year in July of 2021. The School and Building Corporation had net capital assets of \$611,721 with accumulated depreciation of \$65,328 at June 30, 2021. There were no capital additions for the year.

The Building Corporation had \$500,000 in interest only debt at June 30, 2021. The loan originated 3/13/2019 with High Country Bank, had a two-year term maturing 4/1/2020 and carried a 5% interest rate. The 5% loan was renewed on 5/14/20 for another two years maturing 4/1/22.

In addition, the School participated in the PPP or payroll protection program. Loan proceeds of \$111,747 at 1% interest were received 4/23/2020. An application for forgiveness was timely filed and the loan was forgiven.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) was 75.8, 84.8, 82.8, 86 and 87 for FY17, FY18, FY19, FY20 and FY21 respectively. The FPC used to create the FY22 budget was 110 due to the newly leased space and additional classrooms. During FY20 and prospectively, full funding is received for kindergarten students, thus FPC will equal student enrollment.

The Per Pupil Revenue (PPR) for FY22 increased on average 10.7% State wide. We are currently experiencing a rebound in Colorado's economy. The State revenue collections include corporate and individual income taxes, excise taxes, and sales tax. All tax collections have rebounded and with the substantial Federal financial support, we should see State sourced funding for K-12 Education revenue increasing into FY23.

Salida Montessori Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Requests for Information

This financial report is designed to provide a general overview of the School's finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Salida Montessori Charter School, PO Box 1080, Salida, CO 81201.

BASIC FINANCIAL STATEMENTS

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 547,741	\$ 111	\$ 547,852
Accounts Receivable	40,028	-	40,028
Prepaid Items	9,777	-	9,777
Capital Assets, Not Depreciated	-	257,858	257,858
Capital Assets, Depreciated			
Net of Accumulated Depreciation	14,494	339,369	353,863
TOTAL ASSETS	<u>612,040</u>	<u>597,338</u>	<u>1,209,378</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	404,882	-	404,882
Related to OPEB	3,754	-	3,754
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>408,636</u>	<u>-</u>	<u>408,636</u>
LIABILITIES			
Accounts Payable	22,426	-	22,426
Accrued Salaries and Benefits	52,475	-	52,475
Unearned Revenues	32,748	-	32,748
Noncurrent Liabilities			
Net Pension Liability	1,615,927	-	1,615,927
Net OPEB Liability	58,742	-	58,742
Due Within One Year	-	500,000	500,000
Due in More Than One Year	-	-	-
TOTAL LIABILITIES	<u>1,782,318</u>	<u>500,000</u>	<u>2,282,318</u>
DEFERRED INFLOWS OF RESOURCES			
Related to Pensions	691,939	-	691,939
Related to OPEB	19,756	-	19,756
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>711,695</u>	<u>-</u>	<u>711,695</u>
NET POSITION			
Net Investment in Capital Assets	14,494	97,227	111,721
Restricted for Emergencies	29,000	-	29,000
Unrestricted	(1,516,831)	111	(1,516,720)
TOTAL NET POSITION	<u>\$ (1,473,337)</u>	<u>\$ 97,338</u>	<u>\$ (1,375,999)</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 376,990	\$ -	\$ 210,619	\$ -
Supporting Services	282,044	200,604	-	26,323
Total Governmental Activities	659,034	200,604	210,619	26,323
Business-Type Activities				
Building Corporation	41,476	28,915	-	-
Total Primary Government	\$ 700,510	\$ 229,519	\$ 210,619	\$ 26,323

GENERAL REVENUES

Per Pupil Revenue
Mill Levy Override
Investment Income
Other Revenues

SPECIAL ITEM

Forgiveness of Debt

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE
AND CHANGE IN
NET POSITION

Governmental Activities	Business- Type Activities	TOTAL
\$ (166,371)	\$ -	\$ (166,371)
(55,117)	-	(55,117)
(221,488)	-	(221,488)
-	(12,561)	(12,561)
(221,488)	(12,561)	(234,049)
677,021	-	677,021
25,734	-	25,734
73	-	73
9,569	-	9,569
111,747	-	111,747
824,144	-	824,144
602,656	(12,561)	590,095
(2,075,993)	109,899	(1,966,094)
<u>\$ (1,473,337)</u>	<u>\$ 97,338</u>	<u>\$ (1,375,999)</u>

SALIDA MONTESSORI CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND
ASSETS	
Cash and Investments	\$ 547,741
Accounts Receivable	40,028
Prepaid Items	9,777
TOTAL ASSETS	\$ 597,546
 LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 22,426
Accrued Salaries and Benefits	52,475
Unearned Revenue	32,748
TOTAL LIABILITIES	107,649
 FUND BALANCES	
Nonspendable	9,777
Restricted for Emergencies	29,000
Unassigned	451,120
TOTAL FUND BALANCES	489,897
 TOTAL LIABILITIES AND FUND BALANCES	
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	14,494
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 (\$1,615,927), net OPEB liability of (\$58,742), deferred outflows related to pensions and OPEB of \$408,636, and deferrd inflows realted to pension and OPEB of (\$711,695).	(1,977,728)
Net position of governmental activities	\$ (1,473,337)

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

SALIDA MONTESSORI CHARTER SCHOOL

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 966,975
State Sources	115,656
Federal Sources	<u>67,312</u>
TOTAL REVENUES	<u>1,149,943</u>
EXPENDITURES	
Current	
Instruction	684,280
Supporting Services	<u>378,706</u>
TOTAL EXPENDITURES	<u>1,062,986</u>
NET CHANGE IN FUND BALANCE	86,957
FUND BALANCES, Beginning	<u>402,940</u>
FUND BALANCES, Ending	<u><u>\$ 489,897</u></u>

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

SALIDA MONTESSORI CHARTER SCHOOL

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

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

Net change in fund balances - total governmental funds	\$ 86,957
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the depreciation expense in the current period.	(5,766)
Forgiveness of debt has no effect on the governmental funds but increases revenues in the statement of activities.	111,747
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>409,718</u>
Change in net position of governmental activities	<u>\$ 602,656</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE

June 30, 2021

	<u>BUILDING CORPORATION</u>
ASSETS	
Current Assets	
Cash	\$ 111
Total Current Assets	<u>111</u>
Long-term Assets	
Capital Assets, Not Depreciated	257,858
Capital Assets, Net of Accumulated Depreciation	<u>339,369</u>
Total Long-term Assets	<u>597,227</u>
TOTAL ASSETS	<u>597,338</u>
LIABILITIES	
Current Liabilities	
Deposits	-
Loan Payable - Current Portion	<u>500,000</u>
Total Current Liabilities	<u>500,000</u>
Long-Term Liabilities	
Loan Payable	<u>-</u>
TOTAL LIABILITIES	<u>500,000</u>
NET POSITION	
Net Investment in Capital Assets	97,227
Unrestricted	<u>111</u>
TOTAL NET POSITION	<u>\$ 97,338</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2021

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Rent	\$ 28,915
TOTAL OPERATING REVENUES	<u>28,915</u>
OPERATING EXPENSES	
Purchased Services	4,552
Depreciation	<u>11,924</u>
TOTAL OPERATING EXPENSES	<u>16,476</u>
OPERATING INCOME (LOSS)	<u>12,439</u>
NON-OPERATING EXPENSES	
Interest and Other Fiscal Charges	<u>(25,000)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(25,000)</u>
NET INCOME	(12,561)
NET POSITION, Beginning	<u>109,899</u>
NET POSITION, Ending	<u>\$ 97,338</u>

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

SALIDA MONTESSORI CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended June 30, 2021
 Increase (Decrease) in Cash

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Operations	\$ 27,515
Cash Paid to Suppliers	<u>(4,552)</u>
Net Cash Provided by Operating Activities	<u>22,963</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Interest Expense	<u>(25,000)</u>
Net Cash (Used) by Financing Activities	<u>(25,000)</u>
NET INCREASE (DECREASE) IN CASH	(2,037)
CASH, Beginning	<u>2,148</u>
CASH, Ending	<u><u>\$ 111</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ 12,439</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	11,924
Changes in Assets and Liabilities	
Deposits	<u>(1,400)</u>
Total Adjustments	<u>10,524</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 22,963</u></u>

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School prepaid items as nonspendable as of June 30, 2021.
- 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.
- 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 fund balances.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 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. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Deposits (Continued)

At June 30, 2021, the School had deposits with financial institutions with a carrying amount of \$547,741. The bank balances with the financial institutions were \$542,849. Of these balances \$254,983 were covered by federal depository insurance and \$287,866 were covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Credit Risk

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

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

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

Interest Rate and Credit Risk Policies

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

The School had no investments as of June 30, 2021.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4 **CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2021</u>
Governmental Activities				
Capital Assets, Depreciated				
Equipment	\$ 40,572	\$ -	\$ -	\$ 40,572
Accumulated Depreciation	<u>(20,312)</u>	<u>(5,766)</u>	<u>-</u>	<u>(26,078)</u>
Net Capital Assets, Governmental Activities	<u>\$ 20,260</u>	<u>\$ (5,766)</u>	<u>\$ -</u>	<u>\$ 14,494</u>
Business-Type Activities				
Capital Assets, Not Depreciated				
Land	\$ 238,129	\$ -	\$ -	\$ 238,129
Construction in Progress	<u>19,729</u>	<u>-</u>	<u>-</u>	<u>19,729</u>
Total Capital Assets, Not Depreciated	<u>257,858</u>	<u>-</u>	<u>-</u>	<u>257,858</u>
Capital Assets, Depreciated				
Buildings	378,619	-	-	378,619
Accumulated Depreciation	<u>(27,326)</u>	<u>(11,924)</u>	<u>-</u>	<u>(39,250)</u>
Total Capital Assets, Depreciated	<u>351,293</u>	<u>(11,924)</u>	<u>-</u>	<u>339,639</u>
Net Capital Assets, Business- Type Activities	<u>\$ 609,151</u>	<u>\$ (11,294)</u>	<u>\$ -</u>	<u>\$ 597,227</u>

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

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

NOTE 5: **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$52,475 in the General Fund.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: LONG-TERM DEBT

Following is a summary of the School’s long-term debt transactions for the year ended June 30, 2021:

	<u>Balance</u>			<u>Balance</u>	<u>Due In</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2021</u>	<u>One Year</u>
Governmental Activities					
PPP Loan Payable	\$ 111,747	\$ -	\$ 117,747	\$ -	\$ -
Total	<u>\$ 117,747</u>	<u>\$ -</u>	<u>\$ 117,747</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities					
2018 Loan Payable	\$ 500,000	\$ -	\$ -	\$ 500,000	\$ 500,000
Total	<u>\$ 500,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 500,000</u>	<u>\$ 500,000</u>

PPP Loan Payable

On April 23, 2020, the School received a loan in the amount of \$111,747 through the Small Business Administration’s Paycheck Protection Program under Division A, Title I of the Coronavirus Aid Relief and Economic Security Act. (“CARES Act”). This loan was forgiven in full on November 2, 2020.

2018 Loan Payable

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

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

Summary of Significant Accounting Policies

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.

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the 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.

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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).

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 \$112,966 for the year ended June 30, 2021.

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

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

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 \$1,615,927 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	\$1,615,927
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	\$1,615,927

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2020, the School's proportion was .0107 percent, which was an increase of .000065 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$292,288 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	\$88,788	N/A
Changes of assumptions or other inputs	\$155,447	\$271,626
Net difference between projected and actual earnings on pension plan investments	N/A	\$355,703
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$104,507	\$64,610
Contributions subsequent to the measurement date	\$56,140	N/A
Total	\$404,882	\$691,939

\$56,140 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	(\$300,630)
2023	\$66,185
2024	(\$52,637)
2025	(\$56,115)

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The 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 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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

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

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

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

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

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of
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%	

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- The 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.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine 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	\$2,204,257	\$1,615,927	\$1,125,654

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

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

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

PERA Benefit Structure

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

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.

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 \$5,796 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 \$58,742 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 .00618 percent, which was a decrease of .00038 percent from its proportion measured as of December 31, 2019.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

For the year ended June 30, 2021, the School recognized OPEB expense of \$799.

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	\$156	\$12,915
Changes of assumptions or other inputs	\$439	\$3,602
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$2,400
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$279	\$839
Contributions subsequent to the measurement date	\$2,880	N/A
Total	\$3,754	\$19,756

\$2,880 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	(\$3,571)
2023	(\$3,235)
2024	(\$4,999)
2025	(\$4,694)
2026	(\$2,229)
Thereafter	(\$154)

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

Actuarial assumptions. The total OPEB liability in the December 31, 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:

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

The 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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

	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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

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

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

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	\$57,223	\$58,742	\$60,509

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.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$67,290	\$58,742	\$51,438

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 9: RISK MANAGEMENT

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

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 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 \$29,000 was recorded as a restriction of fund balance in the General Fund.

Operating Leases

In July 2019, the School entered into a one-year extension agreement to lease educational facilities. Monthly lease payments of \$2,200 commenced in August 2019. Effective July 30, 2020, the School approved a similar agreement through July 31, 2022, with monthly lease payments of \$2,200. The School has an option to extend the lease for an additional year. During the year ended June 30, 2021, the School paid \$26,400 under this agreement.

In addition, in July 2019, the School extended its agreement to lease a second location, commencing July 1, 2019. Monthly lease payments of \$2,300 plus utilities were required by the agreement through June 30, 2021. At this time the School is leasing the building on a month to month basis until an extension or new lease agreement can be negotiated. During the year ended June 30, 2021, the School paid \$25,400 under this agreement.

NOTE 11: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position of \$1,473,337 due to the School including its Net Pension Liability per the requirements of GASB Statements No. 68 and 75.

SALIDA MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 12: SUBSEQUENT EVENTS

Potential subsequent events were considered through October 15, 2021. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA MONTESSORI CHARTER SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2021

	2021		VARIANCE Positive (Negative)
	ORIGINAL AND FINAL BUDGET	ACTUAL	
REVENUES			
Local Sources			
Per Pupil Revenue	\$ 665,936	\$ 677,021	\$ 11,085
Mill Levy Override	26,498	25,734	(764)
Tuition and Fees	170,500	164,295	(6,205)
Student Activities	14,500	36,309	21,809
Contributions and Donations	62,000	53,974	(8,026)
Investment Income	50	73	23
Other	2,060	9,569	7,509
State and Federal Sources			
State	93,296	115,656	22,360
Federal	66,912	67,312	400
TOTAL REVENUES	<u>1,101,752</u>	<u>1,149,943</u>	<u>48,191</u>
EXPENDITURES			
Instruction			
Salaries	479,505	449,961	29,544
Employee Benefits	145,275	132,280	12,995
Purchased Services	31,200	16,375	14,825
Supplies and Materials	36,700	61,538	(24,838)
Property	-	24,126	(24,126)
Other	1,261	-	1,261
Total Instruction	<u>693,941</u>	<u>684,280</u>	<u>9,661</u>
Supporting Services			
Salaries	113,833	127,006	(13,173)
Employee Benefits	38,372	39,053	(681)
Purchased Services	218,276	189,944	28,332
Supplies and Materials	17,500	18,277	(777)
Property	4,000	1,040	2,960
Other	37,830	3,386	34,444
Total Supporting Services	<u>429,811</u>	<u>378,706</u>	<u>51,105</u>
TOTAL EXPENDITURES	<u>1,123,752</u>	<u>1,062,986</u>	<u>60,766</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(22,000)</u>	<u>86,957</u>	<u>108,957</u>
OTHER FINANCING USES			
Transfers In	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
NET CHANGE IN FUND BALANCE	-	86,957	86,957
FUND BALANCE, Beginning	<u>200,162</u>	<u>402,940</u>	<u>202,778</u>
FUND BALANCE, Ending	<u>\$ 200,162</u>	<u>\$ 489,897</u>	<u>\$ 289,735</u>

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

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

Years Ended December 31,

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportion of the Net Pension Liability	0.0079%	0.0104%	0.0116%	0.0100%	0.0100%	0.0107%
School's proportionate share of the Net Pension Liability	\$ 1,214,355	\$ 3,093,105	\$ 3,749,193	\$ 1,778,096	\$ 1,499,389	\$ 1,615,927
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,130</u>	<u>240,880</u>	<u>-</u>
Total portion of the Net Pension Liability associated with the School	1,214,355	3,093,105	3,749,193	2,021,226	1,740,269	1,615,927
School's covered payroll	\$ 173,010	\$ 466,261	\$ 534,832	\$ 552,048	\$ 589,652	\$ 568,235
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	701.9%	663.4%	701.0%	322.1%	254.3%	284.4%
Plan fiduciary net position as a percentage percentage of the total pension liability	59.2%	43.1%	44.0%	57.0%	64.5%	67.0%

Notes:

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

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

See the accompanying independent auditors' report.

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

Years Ended June 30,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 69,802	\$ 93,097	\$ 101,643	\$ 109,579	\$ 114,593	\$ 112,966
Contributions in relation to the Statutorily required contributions	<u>69,802</u>	<u>93,097</u>	<u>101,643</u>	<u>109,579</u>	<u>114,593</u>	<u>112,966</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	392,638	506,345	\$ 538,517	\$ 572,811	\$ 591,293	\$ 568,235
Contributions as a percentage of covered payroll	17.78%	18.39%	18.87%	19.13%	19.38%	19.88%

Notes:

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

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

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

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportion of the Net Pension Liability	0.0066%	0.0065%	0.0066%	0.0062%
School's proportionate share of the Net Pension Liability	\$ 85,616	\$ 88,805	\$ 73,710	\$ 58,742
School's covered payroll	\$ 534,832	\$ 552,048	\$ 589,652	\$ 568,235
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	16.0%	16.1%	12.5%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	17.03%	24.49%	32.78%

Notes:

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

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

See the accompanying independent auditors' report.

SALIDA MONTESSORI CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 5,493	\$ 5,843	\$ 6,031	\$ 5,796
Contributions in relation to the Statutorily required contributions	<u>5,493</u>	<u>5,843</u>	<u>6,031</u>	<u>5,796</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 538,517	\$ 572,811	\$ 591,293	\$ 568,235
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

Notes:

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

See the accompanying independent auditors' report.