

MOUNTAIN MIDDLE SCHOOL

BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
JUNE 30, 2022

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MOUNTAIN MIDDLE SCHOOL MANAGEMENT DISCUSSION AND ANALYSIS

Perspective on Past Fiscal Year

The Mountain Middle School (MMS) Head of School is very pleased with the diligence and thoroughness of financial management shown by the Business Manager over the past fiscal year. As a result, the June 30, 2022 Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance reports a net change in Fund balance of \$580,254. The increase is attributed to generous donations from the community, the acquisition of mill levy funds and sound enrollment numbers.

Financial Analysis of Past Fiscal Year

The overall increase in Fund balance from \$1,273,639 in 2021 to \$1,853,893, is a result of mill levy funds, direct community support and additional COVID-19 related revenue sources. The Fund balance includes funds restricted for emergencies in the amount of \$77,915, which exceeds the amount required by the State of Colorado.

Mountain Foundation for Education, a nonprofit corporation, is considered to be financially accountable to the School. The purpose of MFE is to hold title to property and facilitate the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property to be leased to MMS. MFE is considered to be part of MMS for financial reporting purposes because its resources are entirely for the direct benefit of MMS and is blended into MMS's financial statements as a proprietary fund. MFE ended the year with a cash balance of \$1,379.

The Board believes MMS should maintain a Fund balance equal to 15% of annual operating expenses; the unassigned Fund balance of \$1,489,901 exceeds this goal.

Perspective on Coming Fiscal Year

MMS administration is optimistic about the financial prospects in the coming fiscal year, due in part to the following conditions:

1. Per Pupil Revenue increased compared to prior year's State funding,
2. Completing our expansion project allowed us to enroll an additional 60 students. This will help us meet community demand and increase our PPR in the upcoming year.
3. Partnership with Silver Spruce Academey's Shared School program has also helped meet community demand and increased our PPR count.
4. Additional funds received through the COVID-19 related funding has allowed us to purchase required technology and staff, for seamless pivots from remote to hybrid to in-person learning, ensuring our students are continuing to thrive in each learning environment.
5. Mountain Middle School is operating at full enrollment with wait lists in all grades. It is anticipated that we will maximize nearly all of our per pupil revenue allocated by the State going into the October enrollment count day.
6. School Health Based Professional Grant continued to bolster our Wellness Teamability to navigate COVID-19 protocols, provide direct services and implement our SEL curriculum.
7. Revenue from the local Mill Levy Override will generate an estimated \$200,000 in FY22-23.

Improvements Planned for the Coming Year

1. We have added a school psychologist and additional interventionists to our team to help our school manage the additional challenges from the pandemic.
2. Historic partnership on a joint bond issue with our geographic district passed in November, 2020 and has allowed us to expand our building to 30,000 sq. feet and offer state of the art opportunities to our students.
3. We continue to renovate the older parts of our facility in order to ensure a high quality learning environment.

Conclusion

The MMS administration has continued to effectively and efficiently manage the school's finances while leveraging the school's accreditation rating of Distinction to expand our vision

and mission to reach more students. Our financial statements provide clear evidence of the sustainability of our financial operations and our consistent academic achievement provides a high demand for enrollment. Mountain Middle School has gone to a lottery all 12 years with a fully enrolled 4th and 5th grade indicating that we will go to a lottery for a 13th year with demand far outnumbering the number of available seats. The School's Charter Contract has been approved by the Charter School Institute's board of directors for the maximum five years through June 30th, 2026. 2016 was the first time in the history of Colorado that a CSI charter school passed a mill levy with their geographic district and also the first CSI school in Colorado history to pass and partner on a joint bond issue in 2020 with our geographic district. The school has successfully partnered with the City of Durango on a number of improvement projects for our school and neighborhood with a stipulation agreement. The school has become the region's first Net Zero school producing more electricity with its solar array than it consumes, setting an example for all schools being proactive in protecting our environment and sustainability for the future. We look forward to many years of high performance and partnerships to provide the best experience for our students and community.



Shane Voss
Head of School
Mountain Middle School



GOVERNMENTAL FUND BALANCE SHEETS
JUNE 30, 2022 AND 2021

| | 2022 | 2021 | Increase/(Decrease) |
|---|---------------------|---------------------|---------------------|
| ASSETS: | | | |
| Cash | \$ 1,730,416 | \$ 1,227,880 | \$ 502,536 |
| Accounts receivable | 177,312 | 40,636 | 136,676 |
| Prepaid expenses | 24,577 | 39,342 | (14,765) |
| Total Assets | <u>1,932,309</u> | <u>1,307,858</u> | <u>624,447</u> |
| LIABILITIES: | | | |
| Accounts payable | \$ 40,336 | \$ 470 | \$ 39,866 |
| Deferred revenues | 38,080 | 33,749 | 4,331 |
| Total Liabilities | <u>78,416</u> | <u>34,219</u> | <u>44,197</u> |
| FUND BALANCE: | | | |
| Nonspendable | 24,577 | 39,342 | (14,765) |
| Restricted for emergencies | 77,915 | 82,000 | (4,085) |
| Restricted for supporting services programs | 25,500 | 24,250 | 1,250 |
| Assigned for future commitments | 236,000 | 36,000 | 200,000 |
| Unassigned | 1,489,901 | 1,092,047 | 397,854 |
| Total Fund Balance | <u>1,853,893</u> | <u>1,273,639</u> | <u>580,253</u> |
| Total Liabilities and Fund Balance | <u>\$ 1,932,309</u> | <u>\$ 1,307,858</u> | <u>\$ 624,451</u> |

GOVERNMENTAL FUND STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 | Increase/(Decrease) |
|----------------------------|---------------------|---------------------|---------------------|
| REVENUES: | | | |
| Local sources | \$ 201,757 | \$ 68,542 | \$ 133,215 |
| State sources | 5,412,246 | 2,864,211 | 2,548,035 |
| Total Revenues | <u>5,614,002</u> | <u>2,932,753</u> | <u>2,681,250</u> |
| EXPENDITURES: | | | |
| Instructional | 1,565,504 | 1,265,423 | 300,081 |
| Supporting services | 3,468,243 | 1,449,159 | 2,019,084 |
| Total Expenditures | 5,033,747 | 2,714,582 | 2,319,165 |
| Net Change in Fund Balance | 580,253 | 218,171 | 362,082 |
| Beginning of the year | <u>1,273,639</u> | <u>1,055,468</u> | <u>218,171</u> |
| End of the year | <u>\$ 1,853,893</u> | <u>\$ 1,273,639</u> | <u>\$ 580,253</u> |



STATEMENTS OF NET POSITION
JUNE 30, 2022 AND 2021

| | 2022 | 2021 | Increase/(Decrease) |
|--|---------------------|-----------------------|---------------------|
| ASSETS: | | | |
| Cash | \$ 1,730,416 | \$ 1,227,880 | \$ 502,536 |
| Accounts receivable | 177,312 | 40,634 | 136,678 |
| Prepaid expenses | 24,577 | 39,342 | (14,765) |
| Capital assets, net of accumulated depreciation | <u>207,573</u> | <u>271,713</u> | <u>(64,140)</u> |
| Total Assets | <u>2,139,878</u> | <u>1,579,569</u> | <u>560,309</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Difference between projected and actual earnings on pension and OPEB plan | <u>743,283</u> | <u>1,252,416</u> | <u>(509,133)</u> |
| LIABILITIES: | | | |
| Accounts payable | 40,330 | 465 | 39,865 |
| Unearned revenue | 38,080 | 33,749 | 4,331 |
| Net other postemployment benefit liability | 113,898 | 126,942 | (13,044) |
| Net pension liability | <u>2,354,231</u> | <u>3,492,557</u> | <u>(1,138,326)</u> |
| Total Liabilities | <u>2,546,539</u> | <u>3,653,713</u> | <u>(1,107,174)</u> |
| DEFERRED INTFLOWS OF RESOURCES: | | | |
| Difference between expected and actual experience on pension and OPEB plan | <u>1,302,081</u> | <u>1,396,850</u> | <u>(94,769)</u> |
| NET POSITION: | | | |
| Investment in capital assets | 207,573 | 271,713 | (64,140) |
| Restricted for emergencies | 77,915 | 82,000 | (4,085) |
| Restricted for supporting services programs | 25,500 | 24,250 | 1,250 |
| Unrestricted | <u>(1,276,447)</u> | <u>(2,596,542)</u> | <u>1,320,095</u> |
| Total Net Position (Deficit) | <u>\$ (965,459)</u> | <u>\$ (2,218,579)</u> | <u>\$ 1,253,120</u> |

STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2022 AND 2021

| | 2022 | 2021 | Increase/(Decrease) |
|------------------------------------|---------------------|-----------------------|-----------------------|
| EXPENDITURES/EXPENSES: | | | |
| Instructional | \$ 1,096,224 | \$ 937,819 | \$ 158,405 |
| Supporting services | <u>718,609</u> | <u>765,164</u> | <u>(46,555)</u> |
| Total expenditures | <u>1,814,833</u> | <u>1,702,983</u> | <u>111,850</u> |
| PROGRAM REVENUES: | | | |
| Operating grants and contributions | 2,798,182 | 486,813 | 2,311,369 |
| Capital grants and contributions | <u>73,390</u> | <u>74,582</u> | <u>(1,192)</u> |
| Net program expense | (1,056,739) | 1,141,588 | (2,198,327) |
| GENERAL REVENUES: | | | |
| Per pupil revenue | 2,261,667 | 1,951,135 | 310,532 |
| Other income | 405,127 | 371,395 | 33,732 |
| Student fees | 102,657 | 47,887 | 54,770 |
| Transfers | (2,574,577) | (569,633) | (2,004,944) |
| Interest income | <u>1,506</u> | <u>944</u> | <u>562</u> |
| Total general revenues | <u>196,380</u> | <u>1,801,728</u> | <u>(1,605,348)</u> |
| Change in net assets | 1,253,120 | 660,139 | 592,979 |
| NET POSITION: | | | |
| Beginning of the year | <u>(2,218,579)</u> | <u>(2,878,718)</u> | <u>(660,139)</u> |
| End of the year | <u>\$ (965,459)</u> | <u>\$ (2,218,579)</u> | <u>\$ (1,253,120)</u> |

INDEPENDENT AUDITORS' REPORT

Board of Directors
Mountain Middle School
Durango, Colorado

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Mountain Middle School, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Mountain Middle School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund of Mountain Middle School, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mountain Middle School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain Middle School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Mountain Middle School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain Middle School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

May Jackson Hendrick, LLC

Parker, Colorado
September 28, 2022

BASIC FINANCIAL STATEMENTS

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2022

| | Governmental Activities | Business-type Activities | Total |
|---|----------------------------|-----------------------------|---------------------|
| ASSETS: | | | |
| Cash and investments | \$ 1,730,416 | \$ 1,379 | \$ 1,731,795 |
| Accounts receivable | 177,312 | - | 177,312 |
| Prepaid expenses | 24,577 | 2,219 | 26,796 |
| Capital assets, net of accumulated depreciation | 207,573 | 6,585,144 | 6,792,717 |
| Total Assets | <u>2,139,878</u> | <u>6,588,742</u> | <u>8,728,620</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | | |
| Difference between projected and actual investment earnings on pension and other postemployment benefit plans | 743,283 | - | 743,283 |
| Total Deferred Outflows of Resources | <u>743,283</u> | <u>-</u> | <u>743,283</u> |
| LIABILITIES: | | | |
| Accounts payable | 40,330 | - | 40,330 |
| Unearned revenues | 38,080 | - | 38,080 |
| Noncurrent liabilities: | | | |
| Due in more than one year: | | | |
| Note payable | - | 2,664,341 | 2,664,341 |
| Net other postemployment benefit liability | 113,898 | - | 113,898 |
| Net pension liability | 2,354,231 | - | 2,354,231 |
| Total Liabilities | <u>2,546,539</u> | <u>2,664,341</u> | <u>5,210,880</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | |
| Difference between expected and actual experience on pension and other postemployment benefit plans | 1,302,081 | - | 1,302,081 |
| Total Deferred Inflows of Resources | <u>1,302,081</u> | <u>-</u> | <u>1,302,081</u> |
| NET POSITION (DEFICIT): | | | |
| Investment in capital assets, net of related debt | 207,573 | 3,920,803 | 4,128,376 |
| Restricted for: | | | |
| Tabor | 77,915 | - | 77,915 |
| SPED reserve | 25,500 | - | 25,500 |
| Unrestricted | (1,276,447) | 3,598 | (1,272,849) |
| Total Net Position (Deficit) | <u>\$ (965,459)</u> | <u>\$ 3,924,401</u> | <u>\$ 2,958,942</u> |

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

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

| <u>FUNCTIONS/PROGRAMS</u> | PROGRAM REVENUES | | | | NET (EXPENSES) REVENUE AND CHANGE IN NET POSITION (DEFICIT) | | |
|---------------------------------|---------------------|-------------------------|--|--|---|-----------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| PRIMARY GOVERNMENT | | | | | | | |
| Governmental Activities: | | | | | | | |
| Instructional | \$ 1,096,224 | \$ 102,657 | \$ - | \$ - | \$ (993,567) | \$ - | \$ (993,567) |
| Supporting services | <u>718,609</u> | <u>-</u> | <u>2,798,182</u> | <u>73,390</u> | <u>2,152,963</u> | <u>-</u> | <u>2,152,963</u> |
| Total Governmental Activities | <u>1,814,833</u> | <u>102,657</u> | <u>2,798,182</u> | <u>73,390</u> | <u>1,159,397</u> | <u>-</u> | <u>1,159,396</u> |
| Business-type Activities: | | | | | | | |
| Building corporation | <u>169,951</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>169,951</u> | <u>169,951</u> |
| Total Business-type Activities | <u>169,951</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(169,951)</u> | <u>(169,951)</u> |
| TOTAL PRIMARY GOVERNMENT | <u>\$ 1,984,784</u> | <u>\$ 102,657</u> | <u>\$ 2,798,182</u> | <u>\$ 73,390</u> | <u>1,159,397</u> | <u>(169,951)</u> | <u>989,445</u> |
| GENERAL REVENUES: | | | | | | | |
| | | | | | 2,261,667 | - | 2,261,667 |
| | | | | | 404,870 | - | 404,870 |
| | | | | | 1,506 | - | 1,506 |
| | | | | | 257 | - | 257 |
| | | | | | <u>(2,574,577)</u> | <u>2,574,577</u> | <u>-</u> |
| | | | | | <u>93,723</u> | <u>2,574,577</u> | <u>2,668,300</u> |
| | | | | | 1,253,120 | 2,404,626 | 3,657,745 |
| | | | | | <u>(2,218,579)</u> | <u>1,519,775</u> | <u>(698,804)</u> |
| | | | | | <u>\$ (965,459)</u> | <u>\$ 3,924,401</u> | <u>\$ 2,958,942</u> |

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

MOUNTAIN MIDDLE SCHOOL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2022

| | General |
|---|--------------|
| ASSETS: | |
| Cash and investments | \$ 1,730,416 |
| Accounts receivable | 177,316 |
| Prepaid expenses | 24,577 |
| Total Assets | \$ 1,932,309 |
| LIABILITIES: | |
| Accounts payable | \$ 40,336 |
| Unearned revenues | 38,080 |
| Total Liabilities | 78,416 |
| FUND BALANCE: | |
| Nonspendable | 24,577 |
| Restricted for: | |
| Tabor | 77,915 |
| SPED reserve | 25,500 |
| Assigned for: | |
| Future commitments | 236,000 |
| Unassigned | 1,489,901 |
| Total Fund Balance | 1,853,893 |
| Total Liabilities and Fund Balance | \$ 1,932,309 |
| Amounts reported for Governmental Activities in the Statement of Net Position (Deficit) are different because: | |
| Fund Balance - Governmental Fund | \$ 1,853,893 |
| Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds. | 207,573 |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources. | 743,283 |
| Long-term liabilities, including net pension and other postemployment benefit liability, are not due and payable in the current period and, therefore, are not reported in the funds. | (2,468,129) |
| Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources. | (1,302,081) |
| Net Position (Deficit) - Governmental Activities | \$ (965,459) |

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2022

| | General |
|--------------------------------|------------------|
| REVENUES: | |
| Local sources | \$ 201,757 |
| State and Federal sources | 5,412,246 |
| Total Revenues | 5,614,002 |
| EXPENDITURES: | |
| Instructional | 1,565,504 |
| Supporting services | 3,468,243 |
| Total expenditures | 5,033,747 |
| Net Change in Fund Balance | 580,254 |
| FUND BALANCE, Beginning | 1,273,639 |
| FUND BALANCE, Ending | \$ 1,853,893 |

MOUNTAIN MIDDLE SCHOOL
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

| | |
|--|----------------------------|
| Net Change in Fund Balance - Governmental Fund | \$ 580,254 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current year. | (64,140) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. | <u>737,006</u> |
| Change in Net Position - Governmental Activities | <u><u>\$ 1,253,120</u></u> |

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2022

| | <u>Building Corporation</u> |
|---|---------------------------------|
| ASSETS: | |
| Current Assets | |
| Cash | \$ 1,379 |
| Prepaid expenses | <u>2,219</u> |
| Total Current Assets | <u>3,598</u> |
| Noncurrent Assets | |
| Capital assets, net of accumulated depreciation | <u>6,585,144</u> |
| Total Noncurrent Assets | <u>6,585,144</u> |
| Total Assets | <u>6,588,742</u> |
| LIABILITIES: | |
| Long-Term Liabilities | |
| Note payable | <u>\$ 2,664,341</u> |
| Total Liabilities | <u>2,664,341</u> |
| NET POSITION: | |
| Investment in capital assets, net of related debt | 3,920,803 |
| Unrestricted | <u>3,598</u> |
| Total Net Position | <u>\$ 3,924,401</u> |

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022

| | Building Corporation |
|---------------------------------|----------------------------|
| OPERATING REVENUES: | |
| Rental income | \$ 72,000 |
| Contribution income | <u>2,502,577</u> |
| Total Operating Revenues | <u>2,574,577</u> |
| OPERATING EXPENSES: | |
| Interest | 80,800 |
| Depreciation | 62,701 |
| Contract services | 12,749 |
| Repairs and maintenance | 5,626 |
| Property insurance | 5,547 |
| Management and general expenses | <u>2,528</u> |
| Total Operating Expenses | <u>169,951</u> |
| Net Operating Income | <u>2,404,627</u> |
| NET POSITION, Beginning | <u>1,519,775</u> |
| NET POSITION, Ending | <u><u>\$ 3,924,401</u></u> |

MOUNTAIN MIDDLE SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2022

| | Building Corporation |
|---|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Cash received | \$ 2,558,118 |
| Operating expenses | (20,600) |
| Interest | <u>(59,972)</u> |
| Net Cash Provided by Operating Activities | <u>2,477,546</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Purchase of fixed assets | <u>(2,486,179)</u> |
| Net Cash Used by Investing Activities | <u>(2,486,179)</u> |
| Net Change in Cash | (8,633) |
| Cash, Beginning | <u>10,012</u> |
| Cash, Ending | <u><u>\$ 1,379</u></u> |
| RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES: | |
| Net Operating Income | \$ 2,404,627 |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 62,701 |
| Deferred interest | 20,827 |
| Increase/Decrease in assets and liabilities: | |
| Prepaid expenses | 7,483 |
| Accounts payable | (600) |
| Accrued expenses | (1,033) |
| Deferred revenue | <u>(16,459)</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 2,477,546</u></u> |

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Mountain Middle School (MMS or the School), a Colorado non-profit corporation, was created in 2009 pursuant to the Colorado Charter Schools Act to form and operate a charter school located in Durango, Colorado. The school began operations in August, 2011.

Mountain Middle School integrates technology and project-based learning into a rigorous liberal arts curriculum that prepares students to succeed in the 21st Century as self-motivated, innovative thinkers who seek to resolve challenges collaboratively. The School offers a rigorous, personalized curriculum that is engaging and meaningful and delivers their curriculum through projects. As a result, students have the opportunity to apply their learning through relevant, real-world experiences.

MMS' financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the School are discussed below.

Financial Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. 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.

Mountain Foundation for Education (MFE or the Corporation) is considered financially accountable to the School. The purpose of the Corporation is to hold title to property and facilitate the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property to be leased to the School. The Corporation is considered 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 financial statements as a proprietary fund. Separate financial statements are not available.

MMS is managed under the direction of the Board of Directors. All Directors have been elected, appointed, or designated.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation

Government-wide and Fund Financial Statements:

The Statement of Net Position (Deficit) and Statements of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which MMS has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not included among program revenue are reported instead as general revenues.

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 activities except those legally or administratively required to be accounted for in other funds.

Additionally, the School reports the following major proprietary fund:

The Building Corporation Fund – This fund is used to account for the activities of Mountain Foundation for Education, the Building Corporation.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus:

In the government-wide Statement of Net Position (Deficit) and the Statement of Activities, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.

b. Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Position (Deficit) and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Deposits and Investments:

For the purpose of both the government-wide and fund financial statements, cash and investments includes deposits and investments for MMS and MFE.

Colorado State Statutes authorize the District to invest in:

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

The School may also deposit funds in Colorado financial institutions (including certificates of deposit) that are members of the Federal Deposit Insurance Corporation (FDIC) and eligible public depositories under the Public Deposit Protection Act (PDPA).

The School has Board-approved investment policies that limit investments to certain eligible depositories, which include State and national banks with headquarters in Colorado and insured by the FDIC; State and federally chartered savings and loan associations headquartered in Colorado and insured by FDIC; and the COLOTRUST.

Additionally, investments are limited to eligible investments consisting of obligations of the U.S. Government, repurchase agreements, and government investment pools.

Accounts Receivable:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, grants receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. Expenditures are reported in the year in which the services are consumed.

Capital Assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation. MMS' policy is to capitalize all capital assets with a unit value of \$5,000 or greater. Repairs and maintenance expenses are charged as expenditures when incurred.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position (Deficit). Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Capital assets are depreciated over their estimated useful lives of three to thirty-nine years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenues:

Unearned revenue includes amounts received but not available to recognize as revenue as the related expenses have not been incurred.

Pensions:

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

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Other Post Employment Benefit (OPEB) Plan:

MMS 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.

Fund Balance / Net Position (Deficit) Classifications:

Government-wide Statements: Net position (deficit) is classified in the following categories:

Investment in capital assets, net of related debt – This classification includes capital assets net of accumulated depreciation and related debt.

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. This classification includes the TABOR Reserve Fund which requires MMS to maintain a reserve for emergencies equal to 3% of fiscal year spending.

Unrestricted – This classification includes net assets that have not been restricted for other purposes.

MMS may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is MMS' policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance / Net Position (Deficit) Classifications (Continued):

Fund Statements: Fund balances are classified in the following categories:

Nonspendable – This classification includes all assets which are not expected to convert to cash.

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. This classification includes the TABOR Reserve Fund, which requires MMS to maintain a reserve for emergencies equal to 3% of fiscal year spending.

Assigned – This classification includes amounts for which constraints have been placed on the use of the resources by the government to be used for specific purposes. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

Unassigned – This classification includes the residual fund balance for the General Fund.

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

Use of Estimates

The preparation of the basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Budget and Budgetary Accounting

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

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

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS**

Cash and Investments

As of June 30, 2022, the School had the following cash:

| | |
|-------------|---------------------|
| Deposits | \$ 1,156,520 |
| Investments | <u>575,275</u> |
| Total | <u>\$ 1,731,795</u> |

Deposits

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

Investments

Interest rate risk – State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit risk - State statutes allow certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the investment type.

Concentration of Credit Risk - State statutes do not limit the amount the District may invest in a single issuer of investment securities, except for corporate securities.

Custodial Risk - State statutes do not address custodial risk, except for collateral for repurchase agreements.

Local Government Investment Pool - As of June 30, 2022, the District had \$575,275 invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST). The Trust is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trust. The Trust operates in conformity with the Securities and Exchange Commission’s Rule 2a-7. The Trust is measured at the net asset value per share, with each share valued at \$1. The Trust is rated AAAM by Standard and Poor’s. Investments of the Trust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Capital Assets

Capital Assets activity for the year ended June 30, 2022 is as follows:

| | Balance | | | Balance |
|---|---------------------|------------------|-------------|---------------------|
| | June 30, 2021 | Additions | Deletions | June 30, 2022 |
| Governmental Activities | | | | |
| Capital Assets: | | | | |
| Leasehold Improvements | \$ 367,075 | \$ - | \$ - | \$ 367,075 |
| FFE | 170,286 | - | - | 170,286 |
| Land Improvements | 143,710 | - | - | 143,710 |
| Vehicles | <u>103,341</u> | <u>-</u> | <u>-</u> | <u>103,341</u> |
| Total Capital Assets | <u>784,412</u> | <u>-</u> | <u>-</u> | <u>784,412</u> |
| Accumulated Depreciation: | | | | |
| Leasehold Improvements | 325,359 | 12,482 | - | 337,841 |
| FFE | 111,305 | 16,663 | - | 127,968 |
| Land Improvements | 30,903 | 14,327 | - | 45,230 |
| Vehicles | <u>45,132</u> | <u>20,668</u> | <u>-</u> | <u>65,800</u> |
| Total Accumulated Depreciation | <u>512,699</u> | <u>\$ 64,140</u> | <u>\$ -</u> | <u>576,839</u> |
| Net Capital Assets | <u>\$ 271,713</u> | | | <u>\$ 207,573</u> |
| <u>Business-type Activities:</u> | | | | |
| Capital Assets: | | | | |
| Building | \$ 2,693,852 | \$3,628,514 | \$ - | \$ 6,322,366 |
| Land Improvements | 24,937 | - | - | 24,937 |
| Land | <u>561,231</u> | <u>-</u> | <u>-</u> | <u>561,231</u> |
| Total Capital Assets | <u>3,280,020</u> | <u>455,170</u> | <u>-</u> | <u>6,908,534</u> |
| Accumulated Depreciation: | | | | |
| Building | 254,116 | 61,038 | - | 315,154 |
| Land Improvements | <u>6,573</u> | <u>1,663</u> | <u>-</u> | <u>8,236</u> |
| Total Accumulated Depreciation | <u>260,689</u> | <u>\$ 62,701</u> | <u>\$ -</u> | <u>323,390</u> |
| Net Capital Assets | <u>\$ 3,019,331</u> | | | <u>\$ 6,585,144</u> |

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Capital Assets (Continued)

Business-type Activities current fiscal year fixed asset additions includes \$3,563,636 of work in progress for a building addition expected to be completed in the next fiscal year. Depreciation will be calculated on the building addition once the addition has been completed.

Depreciation expense in the Statement of Activities - Governmental Activities was \$23,977 and \$40,163 for the Instructional and Supporting Services, respectively.

Depreciation expense in the Statement of Activities - Business-type Activities was \$62,701.

Unearned Revenues

Unearned revenues of \$38,080 reported in the Statement of Net Position (Deficit) – Governmental Activities represents funds received by the School as of June 30, 2022 and allocated to the next school year.

Unearned revenue will be recognized as revenue when the School has provided services to students for the fees collected and when sufficient time has passed for the Building Corporation to recognized the rental income.

Long-term Debt

The following is a summary of long-term debt transactions for Mountain Foundation for Education for the year ended June 30, 2022:

| | Balance June 30, 2021 | Additions | Deletions | Balance June 30, 2022 | Due Within One Year |
|----------------------------------|--------------------------|--------------|--------------|--------------------------|------------------------|
| <u>Business-type activities:</u> | | | | | |
| Building loan | \$ 1,501,179 | \$ 2,664,341 | \$ 1,501,179 | \$ 2,664,341 | \$ - |
| Total | \$ 1,501,179 | \$ 2,664,341 | \$ 1,501,179 | \$ 2,664,341 | \$ - |

During fiscal year ended June 30, 2022, the Mountain Foundation for Education long-term debt was consolidated into a new loan which will encompass the building addition construction loan. The total loan shall not exceed the principal sum of \$3,000,000, bears an interest rate of 4.125% and matures in July 2031.

Eighteen monthly interest only payments equal to 4.125% of the unpaid principal balance are payable from August 2021 through January 2023. The monthly interest only payments will increase as the construction loan increases due to constructions draws made to cover construction costs.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 2 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Long-term Debt (continued)

Principal and interest payments are due February 2023 through June 2031, based on the unpaid principal balance, and with one final additional payment of principal and interest due July 2031.

Future annual maturities of interest only (July 2022 through January 2023) and principal and interest (February 2023 through July 2031) will be detailed once the construction loan is finalized subsequent to the completion of the building addition.

NOTE 3 **DEFINED BENEFIT PENSION PLAN**

General Information about the Pension Plan

Plan Description. Eligible employees of MMS are provided with pensions through the School Division Trust Fund (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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2021. 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. Section 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT 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% 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 annualized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

Contributions provisions as of June 30, 2022: Eligible employees of MMS and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for SCHDTF are established under C.R.S. Section 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

| | 7/1/2021 – 6/30/2022 |
|--|-------------------------|
| Employer Contribution Rate | 10.90% |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) | (1.02%) |
| Amount Apportioned to the SCHDTF | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 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).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and MMS is statutorily committed to pay the contribution to the SCHDTF. Employer contributions recognized by the SCHDTF from MMS were \$252,057 for the year ended June 30, 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The MMS proportion of the net pension liability was based on MMS' contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the MMS reported a liability of \$2,354,231 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the MMS 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 MMS were as follows:

| | |
|---|-------------|
| MMS proportionate share of the net pension liability | \$2,354,231 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with MMS | 28,526 |
| Total | \$2,382,757 |

At December 31, 2021, the MMS' proportion was .020229%, which was a decrease of .002873% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, MMS recognized pension expense of (\$451,342) and revenue of \$28,526 for support from the State as a nonemployer contributing entity. At June 30, 2022, MMS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 90,129 | \$ - |
| Changes in assumptions or other inputs | 179,728 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 885,121 |
| Changes in proportion and difference between contributions recognized and proportionate share of contributions | 322,930 | 375,349 |
| Contributions subsequent to the measurement date | 125,131 | - |
| Total | \$ 717,918 | \$ 1,260,470 |

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

\$125,131 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, 2023. 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, | |
|---------------------|------------|
| 2023 | \$ 209,832 |
| 2024 | 113,098 |
| Total | \$ 322,930 |

Actuarial assumptions – The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---------------------|
| 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) | 1.00% |
| 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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% 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% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2020.

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

The PERA Board first adopted the 7.25% 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

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% | |

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200, required adjustments resulting from the 2018 AAP assessment and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position (FNP), as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payment reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- 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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 3 **DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity of the MMS 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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 3,465,236 | \$ 2,354,231 | \$ 1,427,139 |

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

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

Plan description. Eligible employees of the MMS 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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (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% 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (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 basis for the maximum service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% 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% 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 MMS is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from MMS were \$12,972 for the year ended June 30, 2022.

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

At June 30, 2022, MMS reported a liability of \$113,898 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. MMS' proportion of the net OPEB liability was based on MMS contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, MMS' proportion was .0132085%, which was an increase of .000195 percent from its proportion measured as of December 31, 2020.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

For the year ended June 30, 2022 MMS recognized OPEB expense of (\$4,611). At June 30, 2022, MMS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between expected and actual experience | \$ 174 | \$ 27,007 |
| Changes of assumptions or other inputs | 2,358 | 6,178 |
| Net difference between projected and actual earnings on OPEB plan investments | - | 7,050 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 16,416 | 1,376 |
| Contributions subsequent to the measurement date | 6,420 | - |
| Total | \$ 25,368 | \$ 41,611 |

\$6,420 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, 2023. 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,: | |
|----------------------|------------------|
| 2023 | \$ 8,911 |
| 2024 | 5,608 |
| 2025 | 1,811 |
| 2026 | 1,022 |
| 2027 | 387 |
| 2028 | 53 |
| Total | \$ 17,792 |

Actuarial assumptions - The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

| | State Division | School Division | Local Government Division | Judicial Division |
|--|-------------------|--------------------|---|----------------------|
| Actuarial cost method | | | Entry age | |
| Price inflation | | | 2.30% | |
| Real wage growth | | | 0.70% | |
| Wage inflation | | | 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% | N/A |
| 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 | | | 4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029 | |
| Medicare Part A premiums | | | 3.75% in 2021, 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 | |

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|--|--|------------------------|--|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to Age 65 |
| Medicare Advantage/Self-Insured Rx | \$633 | \$230 | \$591 |
| Kaiser Permanente Medicare Advantage HMO | 596 | 199 | 562 |

The 2021 Medicare Part A premium is \$471 (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, 2020, 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|----------------------------|-----------------------------|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (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% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% 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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP- 2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% 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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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

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

Sensitivity of the MMS' 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 | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | \$ 110,628 | \$ 113,898 | \$ 117,687 |

Discount rate - The discount rate used to measure the TOL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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, 2021, 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of MMS' 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 132,281 | \$ 113,898 | \$ 98,196 |

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 4 **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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

NOTE 5 **CONCENTRATION OF CREDIT RISK**

MMS' financial instruments that are exposed to concentrations of credit risk consist of cash, deposits, investments and accounts receivable. MMS places its cash with high credit quality institutions. MMS routinely assesses the financial strength of its donors and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

NOTE 6 **RISK OF LOSS**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destructions of assets; injuries to employees; and natural disasters. The School purchases commercial insurance for these risks of loss.

NOTE 7 **COMMITMENTS AND CONTINGENCIES**

Lease Commitments

School Lease Agreement

The School entered into a new twelve-month lease agreement with Mountain Foundation for Education to lease the school for \$6,000 a month from July 2021 through June 2022; occupancy expense for the year ended June 30, 2022 was \$72,000.

Taxpayer's Bill of Rights (TABOR)

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

TABOR also requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. MMS is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2022 there was a \$77,915 reservation of fund balance in the General Fund for TABOR.

MOUNTAIN MIDDLE SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2022

NOTE 7 **COMMITMENTS AND CONTINGENCIES (CONTINUED)**

Current Vulnerability Due to Certain Concentrations and Uncertainties

The School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the School were to lose students or the related government funding, there could be a substantial effect on its ability to continue operations.

NOTE 8 **EVALUATION OF SUBSEQUENT EVENTS**

In preparing these financial statements, the School has evaluated events and transactions for potential recognition or disclosure through September 28, 2022, the date the financial statements were available to be issued. The School identified the following subsequent event:

Building Addition

In July 2021, Mountain Foundation for Education began the construction process to expand Mountain Middle School, which will increase the student count by 60 students. The school received the building addition's certificate of occupancy in August 2022.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN MIDDLE SCHOOL
SCHEDULE OF PROPORTIONATE SHARE OF THE
NET PENSION LIABILITY AND CONTRIBUTIONS
YEAR ENDED JUNE 30, 2022

| | 2013 | 2014 | 2015 | 2016 | December 31, 2017 | 2018 | 2019 | 2020 | 2021 |
|--|---------------|----------------|-----------------|----------------|----------------------|----------------|----------------|----------------|----------------|
| Proportionate Share of the Net Pension Liability | | | | | | | | | |
| School's proportion of net pension liability | 0.015632% | 0.015134% | 0.015666% | 0.016426% | 0.019030% | 0.019570% | 0.019918% | 0.023102% | 0.020230% |
| School's proportionate share of the net pension liability | \$ 1,993,813 | \$ 2,051,190 | \$ 2,395,992 | \$ 4,890,673 | \$ 6,153,660 | \$ 3,465,354 | \$ 2,975,710 | \$ 3,492,557 | \$ 2,354,231 |
| School's covered payroll | \$ 630,162 | \$ 633,931 | \$ 682,717 | \$ 737,231 | \$ 877,837 | \$ 1,075,895 | \$ 1,170,118 | \$ 1,235,380 | \$ 1,264,304 |
| School's proportionate share of the net pension liability as a percentage of its covered payroll | 316.40% | 323.57% | 350.95% | 663.38% | 701.00% | 322.09% | 254.31% | 282.71% | 186.21% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.10% | 62.80% | 59.20% | 43.10% | 43.96% | 57.01% | 64.52% | 66.99% | 74.86% |
| School's Contributions | | | | | | | | | |
| Contractually required contribution | \$ 97,864 | \$ 104,168 | \$ 125,279 | \$ 141,179 | \$ 163,541 | \$ 205,819 | \$ 225,381 | \$ 242,534 | \$ 251,344 |
| Contributions in relation to the contractually required contribution | <u>97,864</u> | <u>104,168</u> | <u>124,079</u> | <u>141,179</u> | <u>163,541</u> | <u>205,819</u> | <u>225,381</u> | <u>242,534</u> | <u>251,344</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,200</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered payroll | 630,162 | 633,931 | 682,717 | 737,231 | 877,837 | 1,075,895 | 1,170,118 | 1,235,380 | 1,264,304 |
| Contributions as a percentage of covered payroll | 15.53% | 16.43% | 18.35% | 19.15% | 18.63% | 19.13% | 19.26% | 19.63% | 19.88% |

* Complete 10-year information to be presented in future years as it becomes available.

MOUNTAIN MIDDLE SCHOOL
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY AND CONTRIBUTIONS
YEAR ENDED JUNE 30, 2022

| | 2017 | 2018 | December 31, 2019 | 2020 | 2021 |
|---|--------------|---------------|----------------------|---------------|---------------|
| Proportionate Share of the Net OPEB Liability | | | | | |
| School's proportion of net OPEB liability | 0.010813% | 0.012721% | 0.013013% | 0.013359% | 0.013209% |
| School's proportionate share of the net OPEB liability | \$ 140,524 | \$ 173,073 | \$ 146,271 | \$ 126,942 | \$ 113,898 |
| School's covered payroll | \$ 877,837 | \$ 1,075,895 | \$ 1,170,118 | \$ 1,235,380 | \$ 1,264,304 |
| School's proportionate share of the net OPEB liability as a percentage of its covered payroll | 16.01% | 16.09% | 12.50% | 10.28% | 9.01% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 17.53% | 17.03% | 24.49% | 24.49% | 39.40% |
| School's Contributions | | | | | |
| Contractually required contribution | \$ 8,954 | \$ 10,974 | \$ 11,935 | \$ 12,601 | \$ 12,896 |
| Contributions in relation to the contractually required contribution | <u>8,954</u> | <u>10,974</u> | <u>11,935</u> | <u>12,601</u> | <u>12,896</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered payroll | 877,837 | 1,075,895 | 1,170,118 | 1,235,380 | 1,264,304 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

* Complete 10-year information to be presented in future years as it becomes available.

MOUNTAIN MIDDLE SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2022

| | <u>Budget</u> | <u>Actual</u> | Variance Favorable (Unfavorable) |
|---|----------------------------|----------------------------|--|
| Revenues: | | | |
| Local sources | \$ 239,849 | \$ 201,757 | \$ (38,092) |
| State sources | 5,260,889 | 5,187,146 | (73,743) |
| Federal sources | 183,613 | 225,100 | 41,487 |
| Total Revenues | <u>5,684,351</u> | <u>5,614,002</u> | <u>(70,348)</u> |
| Expenditures: | | | |
| Instructional Services: | | | |
| Salaries and benefits | 1,171,440 | 1,144,139 | 27,301 |
| Materials, supplies and purchased services | 524,993 | 421,364 | 103,629 |
| Total Instructional Services | <u>1,696,433</u> | <u>1,565,504</u> | <u>130,929</u> |
| Supporting Services: | | | |
| Salaries and benefits | 656,553 | 621,881 | 34,672 |
| Materials, supplies and purchased services | 433,827 | 343,786 | 90,041 |
| Total Supporting Services | <u>1,090,380</u> | <u>965,667</u> | <u>124,713</u> |
| Other Uses: | | | |
| Other | 2,800,000 | 2,502,577 | 297,423 |
| Total Other Uses | <u>2,800,000</u> | <u>2,502,577</u> | <u>297,423</u> |
| Total Expenditures | <u>5,586,813</u> | <u>5,033,747</u> | <u>553,066</u> |
| Excess of Revenues over Expenditures | 97,538 | 580,254 | 482,717 |
| Fund Balance - beginning of year | 1,273,639 | 1,273,639 | - |
| Fund Balance - end of year: | | | |
| Nonspendable | - | 24,577 | 24,577 |
| Restricted for: | | | |
| Tabor | 77,915 | 77,915 | - |
| SPED reserve | 25,500 | 25,500 | - |
| Assigned for: | | | |
| Future commitments | 236,000 | 236,000 | - |
| Unassigned | 1,031,762 | 1,489,901 | 458,139 |
| Total Fund Balance - end of year | <u><u>\$ 1,371,177</u></u> | <u><u>\$ 1,853,893</u></u> | <u><u>\$ 482,716</u></u> |