

ROSS MONTESSORI SCHOOL
BASIC FINANCIAL STATEMENTS
June 30, 2023

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FINANCIAL SECTION



**PROSPECTIVE
BUSINESS
SOLUTIONS, LLC**
Certified Public Accountants

Auditing, Accounting, and Consulting Services for
Governments and Nonprofit Organizations

Board of Directors
Ross Montessori School
Carbondale, Colorado

INDEPENDENT AUDITOR'S REPORT

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ross Montessori School (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Ross Montessori School as of June 30, 2023 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 (GAAS). 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 the 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 these 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 the 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 GAAS 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 GAAS, 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 the 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 the 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 44-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PB Solutions LLC

Littleton, Colorado
October 12, 2023

Management’s Discussion and Analysis

As management of the Ross Montessori School (the “School”)* and the Mark Ross Montessori Foundation (the “Foundation”)*, we offer readers of the School’s financial statements, narrative overview, and analysis of the financial activities of the School and for the Foundation for the fiscal year ended June 30, 2023.

Financial Highlights

At the close of its 18th year of operation, the assets of the School exceeded its liabilities by \$1,298,078 (net position) a decrease of \$68,690 from the prior year.

At the close of the fiscal year, the School’s governmental funds reported a combined ending fund balance of \$3,494,124, a decrease of \$6,245 from the prior year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School’s basic financial statements. The School’s basic financial statements are comprised of three components:

- 1) government-wide financial statements
- 2) fund financial statements
- 3) notes to the financial statements.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide financial statement of activities distinguishes functions and programs of the School supported primarily by per pupil revenue (PPR) and mill levy override passed-through from the school’s authorizer, Charter School Institute (CSI). The governmental activities of the School include instruction and supporting expenses as well as interest and other fiscal charges.

The government-wide financial statements can be found on pages 1 and 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Foundation Fund, both major governmental funds.

The governmental fund financial statements can be found on pages 3 and 5 of this report.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 7 through 43.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, assets exceeded liabilities by \$1,298,078 for governmental activities at the close of the most recent fiscal year.

The School's Net Position

	Governmental Activities	
	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Cash and Investments	\$3,558,993	\$3,586,521
Restricted Cash and Investments	222,938	192,181
Accounts & Grants Receivable	72,824	172,183
Other Assets	1,258,111	1,258,111
Capital Assets, Net	6,131,798	6,258,387
Total Assets	11,244,664	11,467,383
Deferred Outflows of Resources	904,975	747,496
Current Liabilities	360,631	450,516
Noncurrent Liabilities	10,112,261	9,107,022
Total Liabilities	10,472,892	9,557,538
Deferred Inflows of Resources	378,669	1,290,573
Net position		
Net Investment in Capital Assets	1,345,957	1,318,170
Restricted for Emergencies,	97,000	97,000
Unrestricted	(144,879)	(48,402)
Total Net position	\$1,298,078	\$1,366,768

The largest portion of the School's assets (55%) is in net capital assets 31% percent of total assets represent cash and investments. The School's net position shows a decrease of 5% or \$(68,690) over the prior audited fiscal year.

School's Change in Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Program Revenue:		
Charges for Services	104,676	\$104,300
Operating Grants and Contributions	803,277	678,954
Capital Grants and Contributions	111,179	93,189
Total Program Revenue	1,019,132	876,443
General Revenue:		
Per Pupil Operating Revenue	2,432,836	2,841,847
Mill Levy Override	215,233	141,165
Investment Earnings	64,088	5,312
Other	6,468	50
Total General Revenue	2,718,625	2,998,374
Total Revenue	3,737,757	3,864,817
Expenses, Current:		
Instruction	2,072,723	929,793
Supporting Services	1,549,759	1,061,485
Interest and Fiscal Charges	183,965	188,772
Total Expenses	3,806,447	2,180,050
Increase (Decrease) in Net position	(68,690)	1,684,767
Beginning Net position	1,366,768	(317,999)
Ending Net position	\$1,298,078	\$1,366,768

Per Pupil Revenue represents 65% and 74% of the Schools total revenue for the year ended June 30, 2023 and 2022, respectively.

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2023, the School's governmental funds reported a combined ending fund balance of \$3,494,124 a decrease of \$6,245 from the fiscal year 2021-2022. The decrease can be attributed to the decrease of the restricted for debt services in the Foundation Funds.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget.

For the year ended June 30, 2023, actual revenues exceeded budgeted amounts by \$104,632. Actual expenditures deficit budgeted amounts by \$203,670. The General Fund decreased by \$34,427 to \$2,837,734 at year-end.

Capital Asset and Debt Administration

Capital Assets

The School's capital assets balance decreased by \$126,589 during the year due to depreciation and disposal of assets. Total depreciation for FY 2022-2023 was \$251,780 resulting in net capital assets of \$7,389,909.

Long-Term Debt

Long-term debt consists of the two USDA loans for the construction of the School's building. On June 30, 2023, the outstanding balance on the USDA loans was \$6,266,890. The loans carry an interest rate of 2.875%. Monthly principal and interest payments are due through June 2054. See Footnote 5 for more information.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School continues to be strong student enrollment and local support for this instructional model. Enrollment for FY 22/23 on October Count day was 250 whereas the count last year on the same day was 310.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Ross Montessori School
Attn: Business Manager
109 Lewies Lane
Carbondale, Colorado 81623

BASIC FINANCIAL STATEMENTS

ROSS MONTESSORI SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 3,558,993
Restricted Cash and Investments	222,938
Accounts Receivable	57,681
Grants Receivable	15,143
Capital Assets, Not Depreciated	1,258,111
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>6,131,798</u>
TOTAL ASSETS	<u>11,244,664</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	871,928
Related to OPEB	<u>33,047</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>904,975</u>
LIABILITIES	
Accounts Payable	2,127
Accrued Salaries and Benefits	358,504
Noncurrent Liabilities	
Due in One Year	129,081
Due in More than One Year	6,137,809
Net Pension Liability	3,718,707
Net OPEB Liability	<u>126,664</u>
TOTAL LIABILITIES	<u>10,472,892</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	332,420
Related to OPEB	<u>46,249</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>378,669</u>
NET POSITION	
Net Investment in Capital Assets	1,345,957
Restricted for Emergencies	97,000
Unrestricted	<u>(144,879)</u>
TOTAL NET POSITION	<u>\$ 1,298,078</u>

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

ROSS MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					GOVERNMENTAL ACTIVITIES
Governmental Activities					
Instructional	\$ 2,072,723	\$ -	\$ 330,832	\$ -	\$ (1,741,891)
Supporting Services	1,549,759	104,676	472,445	111,179	(861,459)
Interest and Other Fiscal Charges	183,965	-	-	-	(183,965)
Total Governmental Activities	\$ 3,806,447	\$ 104,676	\$ 803,277	\$ 111,179	(2,787,315)
		GENERAL REVENUES			
					Per Pupil Revenue 2,432,836
					Mill Levy Override 215,233
					Interest 64,088
					Other 6,468
					TOTAL GENERAL REVENUES 2,718,625
					CHANGE IN NET POSITION (68,690)
					NET POSITION, Beginning 1,366,768
					NET POSITION, Ending \$ 1,298,078

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

ROSS MONTESSORI SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	GENERAL FUND	FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$ 3,136,821	\$ 422,172	\$ 3,558,993
Restricted Cash and Investments	-	222,938	222,938
Accounts Receivable	57,681		57,681
Grants Receivable	15,143		15,143
Due From School	-	11,280	11,280
TOTAL ASSETS	\$ 3,209,645	\$ 656,390	\$ 3,866,035
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 2,127	\$ -	\$ 2,127
Accrued Salaries	358,504	-	358,504
Due to Foundation	11,280	-	11,280
TOTAL LIABILITIES	371,911	-	371,911
FUND BALANCES			
Restricted for Emergencies	97,000	-	97,000
Restricted for Debt Service	-	222,938	222,938
Restricted for Capital Campaign	-	433,452	433,452
Unassigned	2,740,734	-	2,740,734
TOTAL FUND BALANCES	2,837,734	656,390	3,494,124
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,209,645	\$ 656,390	\$ 3,866,035

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

ROSS MONTESSORI SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2023

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

Total fund balances of governmental funds			\$ 3,494,124
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
	Capital Assets, not depreciated	1,258,111	
	Capital Assets, depreciated	7,940,262	
	Accumulated Depreciation	<u>(1,808,464)</u>	7,389,909
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.			
	Loans Payable	(6,266,890)	
	Net Pension Liability	(3,718,707)	
	Net OPEB Liability	<u>(126,664)</u>	(10,112,261)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
	Deferred outflows of resources - Related to Pensions	871,928	
	Deferred outflows of resources - Related to OPEB	33,047	
	Deferred inflows of resources - Related to Pensions	(332,420)	
	Deferred inflows of resources - Related to OPEB	<u>(46,249)</u>	<u>526,306</u>
Net position of governmental activities			<u>\$ 1,298,078</u>

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

ROSS MONTESSORI SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2023

	GENERAL FUND	FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 2,825,929	\$ 498,943	\$ 3,324,872
State Sources	537,590	-	537,590
Federal Sources	86,191	-	86,191
TOTAL REVENUES	3,449,710	498,943	3,948,653
EXPENDITURES			
Current			
Instruction	1,936,280	-	1,936,280
Supporting Services	1,567,644	23,177	1,590,821
Capital Outlay	120,213	-	120,213
Debt Service			
Principal	-	123,619	123,619
Interest	-	183,965	183,965
TOTAL EXPENDITURES	3,624,137	330,761	3,954,898
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(174,427)	168,182	(6,245)
OTHER FINANCING SOURCES (USES)			
Transfers In	140,000	-	140,000
Transfers Out	-	(140,000)	(140,000)
TOTAL OTHER FINANCING SOURCES (USES)	140,000	(140,000)	-
NET CHANGE IN FUND BALANCES	(34,427)	28,182	(6,245)
FUND BALANCES, Beginning	2,872,161	628,208	3,500,369
FUND BALANCES, Ending	<u>\$ 2,837,734</u>	<u>\$ 656,390</u>	<u>\$ 3,494,124</u>

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

ROSS MONTESSORI SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds		\$	(6,245)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.			
	Purchase of Capital Assets	129,203	
	Depreciation	(251,780)	
	Loss on Disposal of Assets	<u>(4,012)</u>	(126,589)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.			
	Debt Principal Payments	<u>123,619</u>	123,619
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide statements those amounts are capitalized and amortized.			
	Deferred charges related to Pension Plan	(70,446)	
	Deferred charges related to OPEB	<u>10,971</u>	<u>(59,475)</u>
Change in net position of governmental activities			<u>\$ (68,690)</u>

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ross Montessori School (the “School”) was formed in 2005 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School receives its state funding from the Charter School Institute (the “Institute”). The School is governed by a seven-member Board of Directors.

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

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the School and organizations for which the School is financially accountable. It is also financially accountable for legally separate organizations if the School’s officials appoint a voting majority for the organization’s governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School. The School may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the School includes the following organizations within its reporting entity:

Mark Ross Montessori Foundation

The Mark Ross Montessori Foundation (the “Foundation”) was formed for the purpose of receiving, maintaining, and administering funds received as gifts for the benefit of the School. The Foundation is blended into the School’s financial statements as a special revenue fund. Separate financial statements are not available for the Foundation.

Government-Wide and Fund Financial Statements

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of net position reports all financial, capital and debt resources of the School. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the School is reported as net position.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

In the fund financial statements, the School reports the following major governmental funds:

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

The *Foundation Fund* accounts for the activities of the Mark Ross Montessori Foundation.

Assets, Liabilities, and Fund Balance/Net Position

Deposits and Investments – For purposes of the statement of cash flows, the School considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Property and equipment of the School is depreciated using the straight-line method over the following estimated useful lives.

Leasehold Improvements	9 - 15 years
Buildings and Improvements	50 years
Equipment	5 years

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Accrued Salaries and Benefits – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2023, were \$358,504. The accrued compensation is reported as a liability in the General Fund.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Compensated Absences – The School’s policy allows employees to earn personal leave of absence during the year. Upon termination, no unused personal leave of absence days are paid to the employees. Therefore, no liability is recorded in the School’s government-wide statement of net position.

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

Investment in Capital Assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While School management may have categorized and segmented portions for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School reports no nonspendable fund balances at June 30, 2023.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The School has also classified funds for the capital campaign and debt service as being restricted because their use is restricted by contributors and debt covenants.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2023.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The School did not have any assigned resources as of June 30, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Risk Management

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

Income Taxes

The Foundation is a tax-exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation believes it has no significant uncertain tax provisions for the year ended June 30, 2023.

Subsequent Events

The School has evaluated events subsequent to the year ended June 30, 2023 through October 12, 2023, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing 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 to the budget must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All annual appropriations lapse at fiscal year-end.

State Compliance

At June 30, 2023 the actual expenditures in the General Fund exceeded budgeted amounts by \$203,670. This may be a violation of state statute.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2023, cash and investments consist of the following:

Deposits	\$ 2,209,612
Investments	<u>1,572,319</u>
Total	<u>\$ 3,781,931</u>

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Unrestricted	\$ 3,558,993
Cash and Investments - Restricted	<u>222,938</u>
Total	<u>\$ 3,781,931</u>

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

Custodial Credit Risk – Deposits

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

At June 30, 2023 State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2023, the School had deposits with financial institutions with a carrying amount of \$2,209,612. The bank balances with the financial institutions were \$2,233,759. Of these balances, \$500,000 was covered by federal depository insurance and \$1,733,759 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Custodial Risk

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

Investments

Interest Rate Risk

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

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

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

The School does not have a formal investment policy to limit credit risk. However, the School follows state statutes regarding investments.

Local Government Investment Pools

The School had invested \$1,572,319 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash

At June 30, 2022, cash in the amount of \$222,938 is restricted in the Foundation Fund to comply with USDA loan covenants.

NOTE 4: CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2023, is summarized below:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 1,258,111	\$ -	\$ -	\$ 1,258,111
Capital Asset, Being Depreciated				
Land Improvements	187,804	-	-	187,804
Leasehold Improvements	-	8,990	-	8,990
Building	7,186,636	-	-	7,186,636
Equipment	463,343	120,213	26,724	556,832
Total Capital Assets, Being Depreciated	<u>7,837,783</u>	<u>129,203</u>	<u>26,724</u>	<u>7,940,262</u>
Accumulated Depreciation				
Land Improvements	66,599	21,509	-	88,108
Leasehold Improvements	-	899	-	899
Building	1,253,519	179,666	-	1,433,185
Equipment	259,278	49,706	22,712	286,272
Total Depreciation	<u>1,579,396</u>	<u>251,780</u>	<u>22,712</u>	<u>1,808,464</u>
Total Capital Assets, Being Depreciated, Net	<u>6,258,387</u>	<u>(122,577)</u>	<u>4,012</u>	<u>6,131,798</u>
Net Capital Assets	<u>\$ 7,516,498</u>	<u>\$ (122,577)</u>	<u>\$ 4,012</u>	<u>\$ 7,389,909</u>

Depreciation has been charged to the Supporting Services program of the School.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 5: LONG-TERM DEBT

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2023:

	6/30/2022			6/30/2023	Due In
	Balance	Additions	Payments	Balance	One Year
USDA Loan Payable	\$ 5,767,848	\$ -	\$ 111,219	\$ 5,656,629	\$ 116,355
USDA Loan Payable	622,661	-	12,400	610,261	12,726
Net Pension Liability	2,591,152	1,127,555	-	3,718,707	-
Net OPEB Liability	125,361	1,303	-	126,664	-
Total	<u>\$ 9,107,022</u>	<u>\$ 1,128,858</u>	<u>\$ 123,619</u>	<u>\$ 10,112,261</u>	<u>\$ 129,081</u>

USDA Loan Payable

In April 2016, the Foundation entered into a loan agreement with USDA in the amount of \$6,400,000. Proceeds of the loan were used to construct the School's new educational facility. The loan carries an interest rate of 2.875%. Monthly principal and interest payments in the amount of \$23,104 are due through May 2054.

In April 2016, the Foundation entered into an additional loan agreement with USDA in the amount of \$700,000 to construct two additional classrooms. The loan carries an interest rate of 2.875%. Monthly principal and interest payments in the amount of \$2,527 are due through June 2054.

In addition to the monthly principal and interest payments, the Foundation is also required to deposit an amount equal to one tenth of the monthly debt service amount into a reserve account as required by the USDA loan covenants. For the year ended June 30, 2023, the balance in the reserve account is \$222,938. This amount is reported as restricted cash on the Foundation's balance sheet.

Lease Agreement

During the year ended June 30, 2015, the Foundation and the School entered into a lease agreement for the newly constructed educational facility. Per the agreement, the School is required to make monthly lease payments to the Foundation in the amount of \$28,194. The Foundation is making payments to USDA to service the Foundation's debt service commitment.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 5: LONG-TERM DEBT (Continued)

Lease Agreement (Continued)

For the year ended June 30, 2023, the School paid \$338,329 in rent payments to the Foundation under the terms of the lease agreement.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$129,081	\$178,491	\$307,572
2025	132,842	174,730	307,572
2026	136,712	170,860	307,572
2027	140,694	166,878	307,572
2028	144,793	162,779	307,572
2029-2033	789,749	748,112	1,537,861
2034-2038	911,684	626,177	1,537,861
2039-2043	1,052,445	485,415	1,537,860
2044-2048	1,214,939	322,922	1,537,861
2049-2053	1,402,209	135,652	1,537,861
2054	<u>211,742</u>	<u>2,388</u>	<u>214,130</u>
Total	<u>\$6,266,890</u>	<u>\$3,174,404</u>	<u>\$ 9,441,294</u>

NOTE 6: INTERFUND BALANCES AND TRANSFERS

During the year ended June 30, 2022, the Foundation Fund transferred \$140,000 to the General Fund to provide funding for the School's operations. At June 30, 2023, the General Fund owes the Foundation \$11,280 related to fundraising.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. 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.

General Information about the Pension Plan

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

Benefits provided as of December 31, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% 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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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

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

In all cases the service retirement benefit is limited to 100% of the highest average salary and cannot exceed the maximum benefit allowed by the 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 lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

Contributions provisions as of June 30, 2023: Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

**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 the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$338,355 for the year ended June 30, 2023.

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 a \$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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA’s negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The School’s proportion of the net pension liability was based on the School’s contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the School reported a liability of \$3,718,707 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School’s proportionate share of the net pension liability	\$3,718,707
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	1,083,669
Total	\$4,802,376

At December 31, 2022, the School’s proportion was 0.0204%, which was a decrease of 0.001844% from its proportion measured as of December 31, 2021.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2023, the School recognized pension expense of \$536,235 and revenue of \$92,409 for support from the State as a nonemployer contributing entity. At June 30, 2023 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 35,194	\$-
Changes of assumptions or other inputs	65,870	-
Net difference between projected and actual earnings on pension plan investments	499,559	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	102,064	332,420
Contributions subsequent to the measurement date	169,241	N/A
Total	\$871,928	\$332,420

\$169,241 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, 2024. 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,	
2024	(\$39,773)
2025	(35,382)
2026	154,851
2027	290,571

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The TPL in the December 31, 2021, 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 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.

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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Post-retirement non-disabled 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, 2021, 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 at least every five years for PERA. 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.

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. 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:

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
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	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 nominal 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 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. 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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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	\$4,866,509	\$3,718,707	\$2,760,176

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

Summary of Significant Accounting Policies

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, 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.

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 health benefits program 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

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 the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$16,964 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$126,664 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan (Continued)

proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.0155%, which was an increase of 0.000975% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$5,963. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$16	\$30,632
Changes of assumptions or other inputs	2,036	-
Net difference between projected and actual earnings on OPEB plan investments	7,736	13,980
Changes in proportion and differences between contributions recognized and proportionate share of contributions	14,789	1,637
Contributions subsequent to the measurement date	8,470	N/A
Total	\$33,047	\$46,249

\$8,470 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Year ended June 30,	
2024	(\$10,126)
2025	(9,507)
2026	(2,524)
2027	2,086
2028	(1,286)
Thereafter	(315)

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	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			6.50% in 2022, gradually decreasing to 4.50% in 2030	
Medicare Part A premiums			3.75% in 2022, 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	

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and	0.0%	0.0%

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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 on 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

- **Males:** 94% 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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Post-retirement non-disabled 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.

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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.

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
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	6.00 %	4.70%
Total	100.00 %	

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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 nominal rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate ¹	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$123,079	\$126,664	\$130,565

¹For the January 1, 2023, plan year.

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. 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, 2022, 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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF’s FNP was projected to 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 the School’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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	\$146,841	\$126,664	\$109,406

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Tabor Amendment is complex and subject to judicial interpretations. The School believes it has complied with the Amendment.

The School has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2023, the emergency reserve of \$97,000 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 10: CHANGE IN ACCOUNTING PRINCIPLES

For the year ended June 30, 2023, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). For the year ended June 30, 2023, the School has evaluated its existing agreements and has determined that no changes to the School's financial statements are deemed necessary.

REQUIRED SUPPLEMENTARY INFORMATION

ROSS MONTESSORI SCHOOL

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,075,386	\$ 2,411,224	\$2,432,836	\$ 21,612	\$2,841,847
Mill Levy Override	256,956	215,233	215,233	-	141,165
Charges for Services	139,500	120,000	104,676	(15,324)	104,300
Contributions	3,500	4,000	5,679	1,679	3,777
Interest	3,000	25,000	61,037	36,037	3,793
Other	-	-	6,468	6,468	50
State Sources					
Capital Construction	93,000	112,138	111,179	(959)	93,189
PERA On Behalf Contribution	-	-	92,409	92,409	31,713
Grants and Donations	333,238	371,664	334,002	(37,662)	180,826
Federal Sources					
Grants and Donations	49,586	85,819	86,191	372	286,852
TOTAL REVENUES	3,954,166	3,345,078	3,449,710	104,632	3,687,512
EXPENDITURES					
Current					
Salaries	1,873,923	1,735,782	1,752,908	(17,126)	1,575,946
Employee Benefits	631,805	594,031	675,358	(81,327)	546,608
Purchased Services	780,961	775,543	887,285	(111,742)	783,912
Supplies and Materials	203,700	184,898	188,373	(3,475)	154,972
Property	134,213	130,213	120,213	10,000	90,040
Contingency	132,000	-	-	-	-
TOTAL EXPENDITURES	3,756,602	3,420,467	3,624,137	(203,670)	3,151,478
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	197,564	(75,389)	(174,427)	(99,038)	536,034
OTHER FINANCING SOURCES (USES)					
Transfers In	100,000	140,000	140,000	-	10,000
NET CHANGE IN FUND BALANCE	297,564	64,611	(34,427)	(99,038)	546,034
FUND BALANCE, Beginning	2,872,161	2,872,161	2,872,161	-	2,326,127
FUND BALANCE, Ending	\$ 3,169,725	\$ 2,936,772	\$2,837,734	\$ (99,038)	\$2,872,161

See the accompanying independent auditor's report.

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the Net Pension Liability (Asset)	0.02040%	0.02226%	0.02418%	0.02131%	0.02200%	0.02500%	0.02200%	0.02400%	0.02300%	0.02200%
Proportionate Share of the Net Pension Liability (Asset)	\$3,718,707	\$2,591,152	\$3,655,956	\$3,183,558	\$3,875,502	\$8,164,114	\$6,492,859	\$3,634,503	\$3,142,781	\$2,783,368
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	1,083,669	297,043	-	403,794	529,921	-	-	-	-	-
Total Proportionate Share of the Net Pension Liability (Asset)	4,802,376	2,888,195	3,655,956	3,587,352	4,405,423	8,164,114	6,492,859	3,634,503	3,142,781	2,783,368
Covered payroll	\$1,574,248	\$1,391,542	\$1,292,787	\$1,252,168	\$1,203,234	\$1,164,633	\$1,062,239	\$1,035,619	\$ 879,705	\$ 970,919
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	305.1%	207.6%	282.8%	286.5%	366.1%	701.0%	611.2%	350.9%	357.3%	286.7%
Plan Fiduciary Net Position as a Percentage Of the Total Pension Liability	61.79%	74.86%	66.99%	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.10%

See the accompanying independent auditor's report.

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 338,355	\$ 292,024	\$ 265,377	\$ 243,957	\$ 234,664	\$ 234,197	\$ 223,290	\$ 182,315	\$ 190,626	\$ 152,972
Contributions in Relation to the Contractually Required Contributions	338,355	292,024	265,377	243,957	234,664	234,197	223,290	182,315	190,626	152,972
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,660,237	\$1,468,927	\$1,334,902	\$1,258,809	\$1,226,678	\$1,176,699	\$1,150,766	\$ 971,997	\$1,063,084	\$ 898,979
Contributions as a Percentage of Covered Payroll	20.38%	19.88%	19.88%	19.38%	19.13%	19.90%	19.40%	18.76%	17.93%	17.02%

See the accompanying independent auditor's report.

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PERA HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016
Proportion of the Net OPEB Liability (Asset)	0.01550%	0.01457%	0.01397%	0.01393%	0.01423%	0.01435%	0.01229%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 126,664	\$ 125,361	\$ 132,836	\$ 156,527	\$ 193,558	\$ 186,430	\$ 159,340
Covered payroll	\$1,574,248	\$1,391,542	\$1,292,787	\$1,252,168	\$1,203,234	\$1,164,633	\$1,062,239
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	8.0%	9.0%	10.3%	12.5%	16.1%	16.0%	15.0%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%	16.72%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditor's report.

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contributions	\$ 16,964	\$ 14,983	\$ 13,616	\$ 12,840	\$ 12,512	\$ 12,002	\$ 11,738
Contributions in Relation to the Contractually Required Contributions	16,964	14,983	13,616	12,840	12,512	12,002	11,738
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$1,660,237	\$1,468,927	\$1,334,902	\$1,258,809	\$1,226,678	\$1,176,699	\$1,150,766
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditor's report.