

SUMMIT MIDDLE CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2024

(This page was left blank intentionally)

SUMMIT MIDDLE CHARTER SCHOOL

ROSTER OF SCHOOL OFFICIALS

June 30, 2024

BOARD MEMBERS

Matt Dahl, Chair

Daniel Simon, Treasurer

Lisa Effress, Member

Erin Robbins, Member

Mary Kathryn Wood, Member

Katie Schwalb, Member

Kimberly Dembo, Member

Fabian Guerrero, Member

Molly Stauffer, Member

Adam Galvin, Principal, Ex-Officio

SCHOOL MANAGEMENT

Adam Galvin, Principal

Meredith Changeux, Assistant Principal

Tara Waters, Business Manager

(This page was left blank intentionally)

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	i - iii
Management's Discussion and Analysis	iv - ix
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2 - 3
Balance Sheet - Governmental Funds	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Notes to Basic Financial Statements	6 - 30
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	31
Budgetary Comparison Schedule - Operations and Technology Fund	32
Schedule of the School's Proportionate Share of the Net Pension and Other Post Employment Benefit Liabilities	33 - 34
Schedule of Contributions and Related Ratios	35 - 36
Notes to Required Supplementary Information	37 - 38

(This page was left blank intentionally)



INDEPENDENT AUDITORS' REPORT

Board of Directors
Summit Middle School
Boulder, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component unit of Summit Middle School (the School), a component unit of Boulder Valley School District, as of and for the year ended June 30, 2024, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the discretely presented component unit of the School, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

Emphasis of Matter – Separate Charter School

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about 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.

Auditors' 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 auditors' 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with 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.

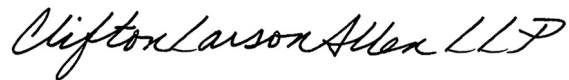
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension and other post-employment benefits schedules and notes be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Roster of School Officials, which is the responsibility of management, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, we do not express an opinion or provide any assurance on it.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 21, 2024

(This page was left blank intentionally)

SUMMIT MIDDLE CHARTER SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2024

As management of Summit Middle Charter School ("the School"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

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

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,293,793 (net position).
- Total net position decreased \$246,631 during 2024.
- At the close of the current fiscal year, the School's governmental funds reported fund balance of \$2,897,922, an increase of \$137,865 over the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund is \$1,148,530 or approximately 21.8% of total general fund expenditures.

Overview of Financial Statements

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

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

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

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

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

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

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

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

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

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 6-30.

Government-Wide Financial Analysis

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

At June 30, 2024, \$182,990 of the School's net position represents its investment in capital assets. An additional \$1,744,194 represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is a deficit of \$4,220,977 which represents the portion that is unrestricted and would otherwise be used to meet the School's ongoing obligations.

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

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Assets		
Current and other assets	\$ 3,108,422	\$ 2,993,579
Capital assets	182,990	222,631
Total Assets	<u>3,291,412</u>	<u>3,216,210</u>
Deferred Outflows of Resources	<u>2,393,677</u>	<u>1,300,694</u>
Liabilities		
Current liabilities	210,500	233,522
Net pension liability	7,089,099	5,236,637
Net OPEB liability	171,173	178,468
Total Liabilities	<u>7,470,772</u>	<u>5,648,627</u>
Deferred Inflows of Resources	<u>508,110</u>	<u>915,439</u>
Net Position		
Investment in capital assets	182,990	222,631
Restricted	1,744,194	1,518,974
Unrestricted	<u>(4,220,977)</u>	<u>(3,788,767)</u>
Total Net Position	<u>\$ (2,293,793)</u>	<u>\$ (2,047,162)</u>

Current and other assets include primarily cash and increased \$114,843 (3.8%), due primarily to revenues from the Operations and Technology mill levy exceeding eligible expense by approximately \$192,000.

Net pension liability increased \$1,852,462, in addition to changes in related deferred inflows of resources and deferred outflows of resources, due to the application of GASB Nos. 68 and 71, when compared to typical accounting treatment reported in the governmental funds. The net impact caused the School to recognize approximately \$375,000 of pension related expense during 2024 in the Statement of Activities, compared to prior year pension related expense of approximately \$43,000.

Net position decreased \$246,631 during 2024, the reasons for which are discussed below.

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

	Governmental Activities	
	<u>2024</u>	<u>2023</u>
Revenues:		
Program revenues		
Charges for services	\$ 140,793	\$ 85,106
Operating grants and contributions	82,613	77,745
Capital grants and contributions	70,524	63,839
General revenues		
Per pupil revenue	3,785,807	3,407,632
Mill levy override	1,560,008	1,401,474
Grants and contributions not restricted	76,823	81,276
Total Revenues	<u>5,716,568</u>	<u>5,117,072</u>
Expenses:		
Instruction	3,319,250	2,842,244
Supporting services	<u>2,643,949</u>	<u>1,958,196</u>
Total Expenses	<u>5,963,199</u>	<u>4,800,440</u>
Change in net position	(246,631)	316,632
Net Position, Beginning	<u>(2,047,162)</u>	<u>(2,363,794)</u>
Net Position , Ending	<u>\$ (2,293,793)</u>	<u>\$ (2,047,162)</u>

The School's primary source of revenue, per pupil revenues and mill levy overrides, flow from the District based upon the School's enrollment. Total revenues increased \$599,496 (11.7%) from the prior year, which include the following variances:

- Per pupil revenue increased by \$378,175 (11.1%), due partially to an 8% cost of living adjustment, as determined by the State.
- The School shares in the District's mill levy override revenues on a per pupil basis, which increased by \$158,534 (11.3%), due primarily to an 8% cost of living adjustment and a slight increase in the operations and technology mill levy which is generally only impacted by changes in student count and net assessed property values.
- Unrestricted grants and contributions slightly decreased by \$4,453, due primarily to decreased donations and fundraising activities.

Total expenses increased \$1,162,759 (24.2%) from the prior year, due to an increase of approximately \$322,635 in pension and OPEB and related costs, a decrease in the State's on-behalf payments to Colorado PERA of approximately \$126,475, and an increase in personnel costs. During 2024, the School increased staffing slightly, and provided salary increases in accordance with the School's approved salary schedule.

Financial Analysis of Governmental Funds

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

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

At the end of the current fiscal year, unassigned fund balance of the School's general fund was \$1,148,530, while the total fund balance decreased \$54,047 to \$1,503,260. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 21.8% of total general fund expenditures, while total fund balance represents approximately 28.5% of the same amount.

Operations and Technology Fund: The operations and technology fund accounts for revenues and expenditures related to an operations and technology mill levy approved by voters November 2016. Property tax revenue is shared by the District on a per pupil basis. The School has accumulated approximately \$1,395,000 at June 30, 2024, to be spent on a future allowable purpose.

General Fund Budgetary Highlights

A General Fund Budgetary Comparison Schedule is located on page 31 of the financial statements.

Actual revenues were approximately \$28,000 lower than budgeted due to a decrease in grants and contributions. Actual expenditures were \$1,531,419 less than budget, due primarily to unspent budgeted reserves of \$1,553,859.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets (net of depreciation) as of June 30, 2024, and 2023 is as follows.

Summit Middle Charter School Capital Assets (Net of Depreciation)

	Governmental Activities	
	2024	2023
Construction In Progress	\$ -	\$ 95,318
Land Improvements	96,709	102,057
Buildings	63,298	-
Equipment	22,983	25,256
	<u>\$ 182,990</u>	<u>\$ 222,631</u>

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

Current year decrease is due to a completion of the construction of a classroom expansion project in fiscal year 2023. Additional information on the School's capital assets can be found in Note 3 of the financial statements.

Long-Term Debt. The School has no long-term debt as of June 30, 2024, and 2023.

Economic Factors and Next Year's Budget

The primary factor driving the School's budget is student enrollment. Enrollment for the 2023-24 School year was 361 full-time equivalent (FTE) students. Enrollment projected for the 2024-25 School year is 366 FTE students, which is lower than the maximum enrollment allowed by the School's contract with the District. The contract provides funding of \$11,214 per student in 2024-25, compared to \$10,481 in 2023-24. Additionally, the School receives override and categorical revenues from the District on a per pupil basis. For the fifteenth consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a budget stabilization factor (negative factor, previously) to reduce total program funding received. The School may need to seek other local sources to balance its budget.

Requests for Information

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

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

BASIC FINANCIAL STATEMENTS

(This page was left blank intentionally)

Summit Middle Charter School
STATEMENT OF NET POSITION
June 30, 2024

	GOVERNMENTAL ACTIVITIES	COMPONENT UNIT SUPPORTERS OF SUMMIT
ASSETS		
Cash and Investments	\$ 3,097,417	\$ 475,503
Accounts Receivable	5,807	1,995
Prepaid Items	5,198	-
Capital Assets, Net of Accumulated Depreciation	182,990	-
TOTAL ASSETS	<u>3,291,412</u>	<u>477,498</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related Items	2,340,120	-
OPEB Related Items	53,557	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,393,677</u>	<u>-</u>
LIABILITIES		
Accounts Payable	3,281	-
Accrued Compensation and Benefits	207,219	-
Net Pension Liability	7,089,099	-
Net OPEB Liability	171,173	-
TOTAL LIABILITIES	<u>7,470,772</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Related Items	441,947	-
OPEB Related Items	66,163	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>508,110</u>	<u>-</u>
NET POSITION		
Investment in Capital Assets	182,990	-
Restricted for Operations and Technology	1,379,512	-
Restricted for Special Education	150,000	-
Restricted for Emergencies	167,800	-
Restricted for Donations	46,882	14,301
Unrestricted	(4,220,977)	463,197
TOTAL NET POSITION	<u>\$ (2,293,793)</u>	<u>\$ 477,498</u>

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

Summit Middle Charter School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2024

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 3,319,250	\$ 140,793	\$ 38,810	\$ 70,524
Supporting Services	2,643,949	-	43,803	-
Total Governmental Activities	<u>\$ 5,963,199</u>	<u>\$ 140,793</u>	<u>\$ 82,613</u>	<u>\$ 70,524</u>
COMPONENT UNIT				
Supporters of Summit	<u>\$ 86,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

GENERAL REVENUES

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

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
COMPONENT UNIT	
GOVERNMENTAL ACTIVITIES	SUPPORTERS OF SUMMIT
\$ (3,069,123)	\$ -
(2,600,146)	-
<u>(5,669,269)</u>	<u>-</u>
<u>-</u>	<u>(86,508)</u>
3,785,807	-
1,560,008	-
76,823	99,894
<u>-</u>	<u>14,541</u>
<u>5,422,638</u>	<u>114,435</u>
(246,631)	27,927
<u>(2,047,162)</u>	<u>449,571</u>
<u>\$ (2,293,793)</u>	<u>\$ 477,498</u>

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

Summit Middle Charter School
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2024

	GENERAL	OPERATIONS AND TECHNOLOGY	TOTAL
ASSETS			
Cash and Investments	\$ 1,702,755	\$ 1,394,662	\$ 3,097,417
Accounts Receivable	5,807	-	5,807
Prepaid Items	5,198	-	5,198
TOTAL ASSETS	\$ 1,713,760	\$ 1,394,662	\$ 3,108,422
LIABILITIES			
Accounts Payable	\$ 3,281	\$ -	\$ 3,281
Accrued Compensation and Benefits	207,219	-	207,219
TOTAL LIABILITIES	210,500	-	210,500
FUND BALANCES			
Nonspendable for Prepaid Items	5,198	-	5,198
Restricted for Operations and Technology	-	1,379,512	1,379,512
Restricted for Special Education	150,000	-	150,000
Restricted for Emergencies	152,650	15,150	167,800
Restricted for Donations	46,882	-	46,882
Unassigned	1,148,530	-	1,148,530
TOTAL FUND BALANCES	1,503,260	1,394,662	2,897,922
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,713,760	\$ 1,394,662	\$ 3,108,422

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

Total Fund Balances of Governmental Funds	\$ 2,897,922
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	182,990
Net pension (\$7,089,099) and net OPEB (\$171,173) liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds.	(7,260,272)
Deferred outflows of resources related to pensions \$2,340,120 and OPEB \$53,557 used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	2,393,677
Deferred inflows of resources related to pensions (\$441,947) and OPEB (\$66,163) used in governmental activities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(508,110)
Total Net Position of Governmental Activities	\$ (2,293,793)

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

Summit Middle Charter School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2024

	GENERAL	OPERATIONS AND TECHNOLOGY	TOTAL
REVENUES			
Local Sources	\$ 5,061,733	\$ 505,000	\$ 5,566,733
State Sources	116,637	-	116,637
Federal Sources	43,803	-	43,803
	5,222,173	505,000	5,727,173
TOTAL REVENUES			
EXPENDITURES			
Current			
Instruction	3,126,304	-	3,126,304
Supporting Services	2,149,916	313,088	2,463,004
	5,276,220	313,088	5,589,308
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(54,047)	191,912	137,865
FUND BALANCES, Beginning	1,557,307	1,202,750	2,760,057
FUND BALANCES, Ending	\$ 1,503,260	\$ 1,394,662	\$ 2,897,922

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

Net Change in Fund Balances of Governmental Funds	\$ 137,865
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount of depreciation expense (\$10,661) in the current year. In addition, a total of (\$28,980) was disposed of from the CIP balance.	(39,641)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of net pension expense (\$374,930) and net OPEB credit \$30,075 not reported in the governmental funds.	(344,855)
Change in Net Position of Governmental Activities	\$ (246,631)

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental funds:

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

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

Assets, Liabilities and Fund Balance/Net Position

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

Prepaid Items - Payments made to vendors for services that will benefit subsequent years are recorded as prepaid items in the government-wide and fund financial statements using the consumption method.

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 4 and 5).

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

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

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 4 for additional information.

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

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 4 and 5).

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On-behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the School by the State of Colorado is recorded in the fund financial statements. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. §§ 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225,000 plus an additional amount of \$380,000. Due to the advanced payment made in 2022, the State reduced the distribution to \$35,000. Additionally, the newly added C.R.S. §§ 24-81-414(9) provided compensatory payment of \$14,561 for 2023 only.

District Purchased Services

The District provides certain maintenance, insurance, administrative and other services to the School. Total current year costs charged to the School were \$1,259,118.

Risk Management

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

NOTE 2: CASH AND INVESTMENTS

Cash and Investments at June 30, 2024, consisted of the following.

Deposits	\$ 470
Cash Held by the District	<u>3,096,947</u>
Total	<u><u>\$ 3,097,417</u></u>

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits

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

Investments

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

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

The School had no investments at June 30, 2024.

Component Unit

Supporters of Summit, Inc., is a non-profit entity with its own investment policy and is not subject to State statutes. Cash and investments at June 30, 2024, consisted of the following.

Deposits	\$ 29,712
Investments	445,791
	445,791
Total	\$ 475,503

At June 30, 2024, Supporters of Summit, Inc., had \$445,791 invested in the Charles Schwab Money Market Fund. The investments are valued at amortized cost and are not rated.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024, is summarized below.

	Balance 6/30/2023	Additions	Deletions	Balance 6/30/2024
Governmental Activities				
Capital Assets, Not Being Depreciated				
Construction In Progress	\$ 95,318	\$ -	\$ (95,318)	\$ -
Total Capital Assets, Not Being Depreciated	<u>95,318</u>	<u>-</u>	<u>(95,318)</u>	<u>-</u>
Capital Assets, Being Depreciated				
Land Improvements	106,959	-	-	106,959
Buildings	-	66,338	-	66,338
Equipment	34,055	-	-	34,055
Total Capital Assets, Being Depreciated	<u>141,014</u>	<u>66,338</u>	<u>-</u>	<u>207,352</u>
Less Accumulated Depreciation For				
Land Improvements	4,902	5,348	-	10,250
Buildings	-	3,040	-	3,040
Equipment	8,799	2,273	-	11,072
Total Accumulated Depreciation	<u>13,701</u>	<u>10,661</u>	<u>-</u>	<u>24,362</u>
Total Capital Assets, Being Depreciated, Net				
Governmental Activities Capital Assets, Net	<u>\$ 222,631</u>	<u>\$ 55,677</u>	<u>\$ (95,318)</u>	<u>\$ 182,990</u>

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

NOTE 4: 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 comprehensive annual financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits provided as of December 31, 2023 - 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 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Contributions provisions as of June 30, 2024 - 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 11.0% of their PERA-includable salary during the period of July 1, 2023 through June 30, 2024. Employer contribution requirements are summarized in the table below:

	July 1, 2023 Through June 30, 2024
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 \$589,587 for the year ended June 30, 2024.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. The direct distribution from the State was suspended in 2020. To compensate PERA for the suspension, C.R.S. §§ 24-51-414(6-8) required restorative payment by providing an accelerated payment in 2022. In 2022, the State Treasurer issued payment for the direct distribution of \$225 million plus an additional amount of \$380 million. Due to the advanced payment made in 2022, the State reduced the distribution in 2023 to \$35 million. Additionally, the newly added C.R.S. § 24-51-414(9) providing compensatory payment of \$14.561 million for 2023 only.

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, 2023, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TPL to December 31, 2023. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2023 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2024, the School reported a liability of \$7,089,099 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:

The School's proportionate share of the net pension liability	\$ 7,089,099
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	\$ 155,443
Total	\$ 7,244,542

At December 31, 2023, the School's proportion was 0.04008896%, which was an increase of 0.01133118% from its proportion measured as of December 31, 2022.

For the year ended June 30, 2024, the School recognized pension expense of \$660,173 and expense of \$13,029 for support from the State as a nonemployer contributing entity. At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 336,158	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	508,178	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,210,542	441,947
Contributions subsequent to the measurement date	285,242	-
Total	\$ 2,340,120	\$ 441,947

\$285,242 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, 2025. 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,

2025	\$ 339,411
2026	769,133
2027	646,081
2028	(141,694)
2029	-
Thereafter	-

Actuarial assumptions - The TPL in the December 31, 2022 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 (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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2022, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

The long-term expected return on plan assets is reviewed as part of regularly scheduled experience studies prepared at least every five years and asset/liability studies performed every three to 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 for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

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:

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	<u>100.00%</u>	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (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, 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 the estimated amount of total service costs for future plan members not financed by their member contributions.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial 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.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 67 projection test.

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.

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 liability	\$ 9,479,305	\$ 7,089,099	\$ 5,095,957

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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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 \$29,508 for the year ended June 30, 2024.

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

At June 30, 2024, the School reported a liability of \$171,173 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2023, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2022. Standard update procedures were used to roll-forward the TOL to December 31, 2023. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2023 relative to the total contributions of participating employers to the HCTF.

At December 31, 2023, the School's proportion was 0.02398305%, which was an increase of 0.00212479% from its proportion measured as of December 31, 2022.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

For the year ended June 30, 2024, the School recognized OPEB income of \$15,797. At June 30, 2024, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 35,084
Changes of assumptions or other inputs	2,013	18,150
Net difference between projected and actual earnings on OPEB plan investments	5,294	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	31,974	12,929
Contributions subsequent to the measurement date	14,276	-
Total	\$ 53,557	\$ 66,163

\$14,276 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, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2025	\$ (16,907)
2026	(5,962)
2027	500
2028	(6,286)
2029	578
Thereafter	1,195

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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, 2022 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 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	7.00% in 2023, gradually decreasing to 4.50% in 2033
Medicare Part A premiums	3.50% for 2023, gradually increasing to 4.50% in 2035

Each year the per capita health care costs are developed by plan option; currently based on 2023 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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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)

Age-Related Morbidity Assumptions								
Participant	Annual Increase		Annual Increase		Annual Increase		Annual Increase	
Age	(Male)		(Female)		(Male)		(Female)	
65-68	2.20%		2.30%					
69	2.80%		2.20%					
70	2.70%		1.60%					
71	3.10%		0.50%					
72	2.30%		0.70%					
73	1.20%		0.80%					
74	90.00%		1.50%					
75-85	90.00%		1.30%					
86 and older	0.00%		0.00%					
MAPD PPO #1 with Medicare Part A								
Sample	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	\$ 1,692	\$ 1,406	\$ 579	\$ 481	\$ 1,913	\$ 1,589		
70	1,901	1,573	650	538	2,149	1,778		
75	2,100	1,653	718	566	2,374	1,869		
MAPD PPO #1 without Medicare Part A								
Sample	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
Age	Male	Female	Male	Female	Male	Female	Male	Female
65	\$ 6,469	\$ 5,373	\$ 4,198	\$ 3,487	\$ 6,719	\$ 5,581		
70	7,266	6,011	4,715	3,900	7,546	6,243		
75	8,026	6,319	5,208	4,101	8,336	6,563		

The 2023 Medicare Part A premium is \$506 per month.

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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 reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2022, 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 that were used to measure the TOL are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2023	7.00%	3.50%
2024	6.75%	3.50%
2025	6.50%	3.75%
2026	6.25%	3.75%
2027	6.00%	4.00%
2028	5.75%	4.00%
2029	5.50%	4.00%
2030	5.25%	4.25%
2031	5.00%	4.25%
2032	4.75%	4.25%
2033	4.50%	4.25%
2034	4.50%	4.25%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2022, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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 Safety Officers 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 Safety Officers) 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 Safety Officers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

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

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

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

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

Disabled mortality assumptions for members other than Safety Officers 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 Safety Officers 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, 2022, 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 2023 plan year.
- The morbidity rates used to estimate individual retiree and spouse costs by age and by gender were updated effective for the December 31, 2022, actuarial valuation. The revised morbidity rate factors are based on a review of historical claims experience by age, gender, and status (active versus retired) from actuary's claims data warehouse.
- 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.

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

The actuarial assumptions used in the December 31, 2022, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

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

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

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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)

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	<u>100.00%</u>	

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	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$166,260	\$171,173	\$176,517

¹For the January 1, 2024, 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, 2023, 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%.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 5: 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 were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used 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.
- Beginning with the December 31, 2023, measurement date and thereafter, the FNP as of the current measurement date is used as a starting point for the GASB 74 projection test.
- As of the December 31, 2023, measurement date, the FNP and related disclosure components for the HCTF reflect payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

Based on the above assumptions and methods, the FNP for the HCTF 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	\$202,177	\$171,173	\$144,649

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.

Summit Middle Charter School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2024

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2024, significant amounts of related expenditures have not been audited, but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2024, the emergency reserve of \$167,800 was reported as restricted fund balance and net position.

REQUIRED SUPPLEMENTARY INFORMATION

Summit Middle Charter School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2024

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,673,080	\$ 3,785,807	\$ 3,785,807	\$ -
District Mill Levy	1,010,375	1,055,008	1,055,008	-
Student Fees	59,000	75,333	131,812	56,479
Grants and Contributions	101,500	113,500	89,106	(24,394)
State Sources				
Capital Construction	64,388	71,371	70,524	(847)
Grants and Contributions	78,071	105,509	46,113	(59,396)
Federal Sources				
Grants	43,316	43,804	43,803	(1)
TOTAL REVENUES	<u>5,029,730</u>	<u>5,250,332</u>	<u>5,222,173</u>	<u>(28,159)</u>
EXPENDITURES				
Instruction and Special Instruction	3,078,966	3,275,331	3,126,304	149,027
Student Support Services	227,338	243,350	238,923	4,427
Instructional Staff Support Services	171,448	150,239	222,891	(72,652)
General Administration	127,219	127,383	138,261	(10,878)
School Administration	790,446	826,371	856,023	(29,652)
Business Services	78,066	73,967	73,968	(1)
Operations and Maintenance	544,300	500,403	562,547	(62,144)
Operations and Maintenance Allocated to Operations and Technology Fund	(258,811)	(248,318)	(248,318)	-
Central Services	275,435	305,054	305,621	(567)
Reserves	1,625,395	1,553,859	-	1,553,859
TOTAL EXPENDITURES	<u>6,659,802</u>	<u>6,807,639</u>	<u>5,276,220</u>	<u>1,531,419</u>
NET CHANGE IN FUND BALANCE	(1,630,072)	(1,557,307)	(54,047)	1,503,260
FUND BALANCE, Beginning	<u>1,630,072</u>	<u>1,557,307</u>	<u>1,557,307</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,503,260</u>	<u>\$ 1,503,260</u>

See accompanying notes to required supplementary information.

Summit Middle Charter School

BUDGETARY COMPARISON SCHEDULE OPERATIONS AND TECHNOLOGY FUND Year Ended June 30, 2024

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL Positive (Negative)</u>
REVENUES				
District Mill levy	\$ 481,712	\$ 505,000	\$ 505,000	\$ -
TOTAL REVENUES	<u>481,712</u>	<u>505,000</u>	<u>505,000</u>	<u>-</u>
EXPENDITURES				
Operations and Maintenance	47,612	71,964	58,134	13,830
Operations and Maintenance Allocated from General Fund	258,811	248,318	248,318	-
Central Services	-	-	6,636	(6,636)
Reserves	1,246,195	1,387,468	-	1,387,468
TOTAL EXPENDITURES	<u>1,552,618</u>	<u>1,707,750</u>	<u>313,088</u>	<u>1,394,662</u>
NET CHANGE IN FUND BALANCE	(1,070,906)	(1,202,750)	191,912	1,394,662
FUND BALANCE, Beginning	<u>1,070,906</u>	<u>1,202,750</u>	<u>1,202,750</u>	<u>-</u>
FUND BALANCE, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,394,662</u></u>	<u><u>\$ 1,394,662</u></u>

See accompanying notes to required supplementary information.

Summit Middle Charter School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION AND OTHER POST EMPLOYMENT BENEFIT LIABILITIES
June 30, 2024

As of December 31,	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Net Pension Liability				
School's proportion of the net pension liability	0.04008896%	0.02875777%	0.03575851%	0.03730249%
School's proportionate share of the net pension liability	\$ 7,089,099	\$ 5,236,637	\$ 4,161,348	\$ 5,639,385
State's proportionate share of the net pension liability associated with the School**	<u>155,443</u>	<u>1,526,008</u>	<u>477,046</u>	<u>-</u>
Total	<u>\$ 7,244,542</u>	<u>\$ 6,762,645</u>	<u>\$ 4,638,394</u>	<u>\$ 5,639,385</u>
School's covered payroll	2,650,241	2,218,100	2,234,792	1,995,469
School's proportionate share of the net pension liability as a percentage of its covered payroll	267.49%	236.09%	186.21%	282.61%
Plan fiduciary net position as a percentage of the total pension liability	64.74%	61.79%	74.86%	66.99%
Net Other Post Employment Benefit (OPEB) Liability				
School's proportion of the net OPEB liability	0.02398305%	0.02185826%	0.02334758%	0.02157856%
School's proportionate share of the net OPEB liability	171,173	178,468	201,327	205,045
School's covered payroll	2,650,241	2,218,100	2,234,792	1,995,469
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	6.46%	8.05%	9.01%	10.28%
Plan fiduciary net position as a percentage of the total OPEB liability	46.16%	38.57%	39.40%	32.78%

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

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

See accompanying notes to required supplementary information.

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
0.03237856%	0.03341710%	0.03758739%	0.03642364%	0.03666203%	0.03556924%
\$ 4,837,287	\$ 5,917,183	\$ 12,154,427	\$ 10,844,725	\$ 5,607,198	\$ 4,820,827
613,548	809,093	-	-	-	-
<u>\$ 5,450,835</u>	<u>\$ 6,726,276</u>	<u>\$ 12,154,427</u>	<u>\$ 10,844,725</u>	<u>\$ 5,607,198</u>	<u>\$ 4,820,827</u>
1,902,672	1,837,115	1,733,863	1,634,760	1,597,739	1,490,094
254.24%	322.09%	701.00%	663.38%	350.95%	323.52%
64.52%	57.01%	43.96%	43.10%	59.20%	62.80%
0.02116059%	0.02172127%	0.02135703%	0.02070365%		
237,845	295,527	277,556	268,430		
1,902,672	1,837,115	1,733,863	1,634,760		
12.50%	16.09%	16.01%	16.42%		
24.49%	17.03%	17.53%	16.72%		

See accompanying notes to required supplementary information.

Summit Middle Charter School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
June 30, 2024

As of June 30,	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Defined Benefit Pension Plan				
Statutorily required contributions	\$ 589,587	\$ 452,162	\$ 467,161	\$ 410,662
Contributions in relation to the statutorily required contribution	<u>589,587</u>	<u>452,162</u>	<u>467,161</u>	<u>410,662</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,892,969	2,218,657	2,349,907	2,065,704
Contribution as a percentage of covered payroll	20.38%	20.38%	19.88%	19.88%
Defined Benefit Other Post Employment Benefit Plan				
Statutorily required contributions	\$ 29,508	\$ 22,630	\$ 23,969	\$ 21,070
Contributions in relation to the statutorily required contribution	<u>29,508</u>	<u>22,630</u>	<u>23,969</u>	<u>21,070</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,892,969	2,218,657	2,349,907	2,065,704
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30.

See accompanying notes to required supplementary information.

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 371,844	\$ 362,401	\$ 339,406	\$ 301,733	\$ 292,546	\$ 265,313
<u>371,844</u>	<u>362,401</u>	<u>339,406</u>	<u>301,733</u>	<u>292,546</u>	<u>265,313</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,918,702	1,894,414	1,798,747	1,641,639	1,650,008	1,571,759
19.38%	19.13%	18.87%	18.38%	17.73%	16.88%
\$ 19,571	\$ 19,323	\$ 18,347	\$ 16,745	\$ 16,830	\$ 16,032
<u>19,571</u>	<u>19,323</u>	<u>18,347</u>	<u>16,745</u>	<u>16,830</u>	<u>16,032</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,918,702	1,894,414	1,798,747	1,641,639	1,650,008	1,571,759
1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

See accompanying notes to required supplementary information.

Summit Middle Charter School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

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

NOTE 2: SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2023 Changes in Plan Provisions Since 2022

- Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

Summit Middle Charter School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2024

NOTE 2: SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION (Continued)

2023 Changes in Plan Provisions Since 2022 (Continued)

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

NOTE 3: SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2023 Changes in Assumptions Since 2022

- There were no changes made to the actuarial methods or assumptions.

(This page was left blank intentionally)