MOUNTAIN SAGE COMMUNITY SCHOOL

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2026

MOUNTAIN SAGE COMMUNITY SCHOOL
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Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Mountain Sage Community School

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Mountain Sage Community School, a component unit of Poudre School District, as of and for the year ended June 30, 2026 and the related notes to the financial statements, which collectively comprise Mountain Sage Community 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 and each major fund of Mountain Sage Community School, as of June 30, 2026 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Mountain Sage Community School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Mountain Sage Community School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Mountain Sage Community School's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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



Colorado Springs, Colorado
October 16, 2026

Mountain Sage Community School
Management's Discussion and Analysis
For the year ended June 30, 2026

Management's Discussion and Analysis

As management of Mountain Sage Community School ("Mountain Sage" or "School"), we offer readers of Mountain Sage Community School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2026.

Financial Highlights

The liabilities and deferred inflows of resources of Mountain Sage exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $3,595,196 (net position) due to including the net pension liability per the Governmental Accounting Standards Board (GASB) Statement Number 68.

The general fund ending fund balance decreased to $1,305,999 from $1,307,357 after the thirteenth year of operations.

Overview of Financial Statements

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

Government-Wide and Fund Financial Statements

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

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

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Mountain Sage Community School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $3,595,196 at the close of the most recent fiscal year.

Mountain Sage Community School's Net Position

	Governmental Activities		
	2026	**2025**	**% Change**
ASSETS			
Current Assets	$ 2,105,401	$ 2,015,938	4.4 %
Capital Assets	3,435,745	3,545,164	(3.1)%
Total Assets	**5,541,146**	**5,561,102**	**(0.4)%**
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	683,853	727,847	(6.0)%
OPEB	26,657	23,646	12.7 %
Total Deferred Outflows of Resources	**710,510**	**751,493**	**(5.5)%**
LIABILITIES			
Current Liabilities	435,199	369,777	17.7 %
Noncurrent Due in One Year	26,328	10,814	143.5 %
Noncurrent Due in More Than One Year	4,175,882	4,202,210	(0.6)%
Net Pension Liability	4,425,912	4,687,448	(5.6)%
Net OPEB Liability	48,912	83,168	(41.2)%
Total Liabilities	**9,112,233**	**9,353,417**	**(2.6)%**
DEFERRED INFLOW OF RESOURCES			
Related to Pensions	684,523	259,495	163.8 %
Related to OPEB	52,997	46,942	12.9 %
Total Deferred Inflows of Resources	**737,520**	**306,437**	**140.7 %**
NET POSITION			
Net Investment in Capital Assets	(744,352)	(646,475)	(15.1)%
Restricted for Debt Service	344,990	317,420	8.7 %
Restricted for Emergencies - TABOR	135,000	135,000	0.0 %
Unrestricted	(3,333,735)	(3,153,204)	(5.7)%
Total Net Position	**$ (3,598,097)**	**$ (3,347,259)**	**(7.5)%**

The largest portion of Mountain Sage Community School's current assets (93.7%) is cash and investments. The remaining 6.3% reflects accounts receivable and prepaid expenses. The School's net position decreased by $247,937 in the current fiscal year.

Mountain Sage Community School's Change in Net Position

	Governmental Activities		
	2026	**2025**	**% Change**
PROGRAM REVENUE			
Charges for Services	$ 288,238	$ 279,655	3.1 %
Operating Grants and Contributions	338,553	398,764	(15.1)%
Capital Grants and Contributions	180,077	115,770	55.5 %
GENERAL REVENUE			
Per Pupil Operating Revenue	2,952,370	2,978,116	(0.9)%
Mill Levy	995,368	1,032,842	(3.6)%
Other	58,464	57,971	0.9 %
Total Revenue	**4,813,070**	**4,863,118**	**(1.0)%**
EXPENSES			
Instruction	2,751,086	2,642,631	4.1 %
Supporting Services	2,109,828	1,802,655	17.0 %
Interest and Fiscal Charges	202,994	203,498	(0.2)%
Total Expenses	**5,063,908**	**4,648,784**	**8.9 %**
INCREASE (DECREASE) IN NET POSITION	(250,838)	214,334	N/M
Net Position - Beginning of Year	(3,347,259)	(3,561,592)	6.0 %
Net Position - End of Year	**$ (3,598,097)**	**$ (3,347,259)**	**(7.5)%**

N/M = not meaningful (sign change between years, or a zero/near-zero prior-year base).

Revenues for Mountain Sage Community School decreased primarily due to decreases in operating grants and contributions, per pupil operating revenue, and mill levy revenue, partially offset by an increase in capital grants and contributions. Expenses increased primarily due to an increase in supporting services costs, including pension-related expense.

Financial Analysis of the Government's Funds

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

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

The General Fund's fund balance decreased by $4,259. Unassigned fund balance decreased by $9,048, from $1,123,343 to $1,114,295.

The School's enrollment is listed below as full time equivalent students for each year noted:

Fiscal Year	Enrollment
2017/2018	264.6
2018/2019	279.5
2019/2020	299.8
2020/2021	301.0
2021/2022	276.8
2022/2023	295.5
2023/2024	305.0
2024/2025	275.1
2025/2026	259.5

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $1,303,098.

Changes in Revenues, Expenditures, and Fund Balance

General Fund	2026	2025	% Change
REVENUES			
Local sources	$ 1,117,666	$ 1,170,345	(4.5)%
State sources	3,300,721	3,310,882	(0.3)%
Federal sources	148,177	157,588	(6.0)%
Total revenues	**4,566,564**	**4,638,815**	**(1.6)%**
EXPENDITURES			
Instruction	2,509,608	2,375,537	5.6 %
Supporting services	2,045,595	1,768,255	15.7 %
Debt service:			
Interest	1,806	2,310	(21.8)%
Principal	10,814	14,438	(25.1)%
Total expenditures	**4,567,823**	**4,160,540**	**9.8 %**
Excess (deficiency) of revenues over expenditures	(1,259)	478,275	(100.3)%
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(3,000)	-	N/M
Total other financing sources (uses)	**(3,000)**	**-**	**N/M**
Net change in fund balance	(4,259)	478,275	N/M
Fund balance - beginning	1,307,357	829,082	57.7 %
Fund balance - ending	**$ 1,303,098**	**$ 1,307,357**	**(0.3)%**

Building Corp Fund	2026	2025	% Change
REVENUES			
Local sources	$ 229,738	$ 218,327	5.2 %
Total revenues	**229,738**	**218,327**	**5.2 %**
EXPENDITURES			
Supporting services	3,250	250	N/M
Debt service:			
Interest	201,188	201,188	0.0 %
Total expenditures	**204,438**	**201,438**	**1.5 %**
Excess (deficiency) of revenues over expenditures	25,300	16,889	49.8 %
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	3,000	-	N/M
Total other financing sources (uses)	**3,000**	**-**	**N/M**
Net change in fund balance	28,300	16,889	67.6 %
Fund balance - beginning	439,398	422,509	4.0 %
Fund balance - ending	**$ 467,698**	**$ 439,398**	**6.4 %**

N/M = not meaningful (sign change between years, or a zero/near-zero prior-year base).

General Fund Budgetary Highlights

The School approves a budget in April or May based upon enrollment projections for the following school year. In December, after enrollment stabilizes, adjustments are made to the budget. The School approved an amended budget in December to adjust to the actual student count. Actual expenditures were higher than budgeted expenditures by $125,918.

Capital Asset and Debt Administration

Capital Assets. Mountain Sage's capital assets and lease assets at the end of the 25/26 school year stood at $3,435,745, net of accumulated depreciation. See Note 3 of the notes to financial statements.

Long-Term Debt. The School has $4,202,210 of outstanding debt as of June 30, 2026. See Note 5 of the notes to the financial statements.

Currently Known Facts, Decisions, or Conditions

The School is aware of the following developments that will have an impact on the School's finances in the future:

1. Amendments to the School's budget
2. Factors affecting the economy

Amendments to the School's budget

The School's budget for fiscal year 2026-2027 was adopted in the spring of 2026. That budget will be amended in January 2027 to reflect the known or expected changes in multiple factors, but the largest factor is the October 2026 pupil count. That pupil count will drive many budgetary decisions including staffing, benefits, contractors, etc.

Factors affecting the economy

Economic factors can affect the School's financial performance in many ways. The economy and political climate can affect the amount of funding the school receives in per pupil funding, grants, and other revenue sources. These changes can also affect the staffing levels.

Requests for Information

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

Liv Helmericks
School Director
Mountain Sage Community School
2310 E. Prospect Rd., Suite A
Fort Collins, CO 80525

BASIC FINANCIAL STATEMENTS

MOUNTAIN SAGE COMMUNITY SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2026

	Governmental Activities
ASSETS	
Cash and investments	$ 1,504,703
Restricted cash and investments	467,698
Intergovernmental receivables	79,197
Prepaids	53,803
Capital assets, net of accumulated depreciation/amortization	3,435,745
Total Assets	5,541,146
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	683,853
Deferred OPEB outflows	26,657
Total Deferred Outflows of Resources	710,510
LIABILITIES	
Accounts payable and other accrued liabilities	15,668
Accrued salaries and benefits	318,937
Accrued interest payable	100,594
Long-term liabilities	
Due within one year	26,328
Due in more than one year	4,175,882
Net pension liability	4,425,912
Net OPEB liability	48,912
Total Liabilities	9,112,233
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	684,523
Deferred OPEB inflows	52,997
Total Deferred Inflows of Resources	737,520
NET POSITION	
Net investment in capital assets	(744,352)
Restricted for:	
Debt Service	344,990
TABOR	135,000
Unrestricted	(3,333,735)
Total Net Position (deficit)	$ (3,598,097)

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

MOUNTAIN SAGE COMMUNITY SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

Functions/Programs	Expenses	Program Revenue: Charges for Services	Program Revenue: Operating Grants and Contributions	Program Revenue: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 2,751,086	$ 71,800	$ 338,553	$ 180,077	$ (2,160,656)
Supporting services	2,109,828	216,438	-	-	(1,893,390)
Interest	202,994	-	-	-	(202,994)
Total governmental activities	$ 5,063,908	$ 288,238	$ 338,553	$ 180,077	(4,257,040)
General revenues:					
Per pupil revenue					2,952,370
District mill levy					995,368
Unrestricted investment earnings					46,381
Miscellaneous					12,083
Total general revenues					4,006,202
Change in net position					(250,838)
Net position - beginning (deficit)					(3,347,259)
Net position - ending (deficit)					$ (3,598,097)

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

MOUNTAIN SAGE COMMUNITY SCHOOL
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2026

	General Fund	Building Corp Fund	Total
ASSETS			
Cash and investments	$ 1,504,703	$ -	$ 1,504,703
Restricted cash and investments	-	467,698	467,698
Intergovernmental receivables	79,197	-	79,197
Prepaid items	53,803	-	53,803
Total Assets	$ 1,637,703	$ 467,698	$ 2,105,401
LIABILITIES			
Accounts payable and other accrued liabilities	$ 15,668	$ -	$ 15,668
Accrued salaries and benefits	318,937	-	318,937
Total Liabilities	334,605	-	334,605
FUND BALANCE			
Non-spendable	53,803	-	53,803
Restricted for:			
Debt service	-	445,585	445,585
Capital projects	-	22,113	22,113
TABOR	135,000	-	135,000
Unassigned	1,114,295	-	1,114,295
Total Fund Balance	1,303,098	467,698	1,770,796
Total Liabilities and Fund Balance	$ 1,637,703	$ 467,698	$ 2,105,401

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

MOUNTAIN SAGE COMMUNITY SCHOOL
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2026

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

Total Fund Balance of Governmental Funds		$ 1,770,796
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		
Capital assets, net of accumulated depreciation		3,435,745
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Long-term debt payable	$ (4,202,210)	
Accrued interest	(100,594)	
Net pension liability	(4,425,912)	
Pension outflows	683,853	
Pension inflows	(684,523)	
Net OPEB liability	(48,912)	
OPEB outflows	26,657	
OPEB inflows	(52,997)	(8,804,638)
Total Net Position of Governmental Activities		$ (3,598,097)

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

MOUNTAIN SAGE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2026

	General Fund	Building Corp Fund	Total
REVENUES			
Local sources	$ 1,117,666	$ 229,738	$ 1,347,404
State sources	3,300,721	-	3,300,721
Federal sources	148,177	-	148,177
Total revenues	4,566,564	229,738	4,796,302
EXPENDITURES			
Instruction	2,509,608	-	2,509,608
Supporting services	2,045,595	3,250	2,048,845
Debt service			
Interest	1,806	201,188	202,994
Principal	10,814	-	10,814
Total expenditures	4,567,823	204,438	4,772,261
Excess (deficiency) of revenues over expenditures	(1,259)	25,300	24,041
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(3,000)	3,000	-
Total other financing sources (uses)	(3,000)	3,000	-
Net change in fund balance	(4,259)	28,300	24,041
Fund balance - beginning	1,307,357	439,398	1,746,755
Fund balance, ending	$ 1,303,098	$ 467,698	$ 1,770,796

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

MOUNTAIN SAGE COMMUNITY SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2026

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

Net Change in Fund Balance of Governmental Funds		$ 24,041
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Depreciation/amortization expense		(109,419)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Debt principal payments		10,814
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Changes in pension related items	$ (207,486)	
Changes in OPEB related items	31,212	(176,274)
Change in Net Position of Governmental Activities		$ (250,838)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

Mountain Sage Community School (the School) was established to operate as a charter school under the Colorado Charter Schools Act. The School is a component unit of the Poudre School District (the District). The District authorized the School's charter, and the School receives the majority of its funding from the District.

The accompanying financial statements include the School and its component units, which are entities for which the School is financially accountable. Component units are considered financially accountable to the School 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 financial benefits to, or imposes financial burdens on, the School.

Blended component units are, in substance, part of the School's operations, even though they are legally separate entities. As such, these organizations are presented as funds of the School.

Blended component unit. The Mountain Sage Community School Building Corporation (the Building Corp) was established to support the School in fulfilling its mission, specifically by assisting in the financing of the School's facilities. The Building Corp is reported as a special revenue fund within the School's financial statements. This entity does not issue separate financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the School and its component units. Any fiduciary activities are reported only in the fund financial statements. *Governmental activities* are supported by per pupil revenue and intergovernmental revenues.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to students or other service users 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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as *general revenues* rather than as program revenues.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The emphasis of fund financial statements is on major funds. Major individual funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major funds.

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 general government, except those required to be accounted for in another fund.

The *Building Corp Fund* is used to account for the financial activities of the Mountain Sage Community School Building Corporation, including facilities acquisition and construction and the accumulation of resources for the related debt service.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. General capital asset acquisitions, including entering into contracts giving the School the right to use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Interest and charges for services associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the School.

D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/ FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are reported at net asset value.

Receivables

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital assets

Capital assets include tangible and intangible assets that are reported in the governmental activities column in the government-wide financial statements. Capital assets, except for lease assets, are defined by the School as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. For lease assets, only those intangible lease assets that cost more than $15,000 are reported as capital assets.

As the School constructs or acquires capital assets each period they are capitalized and reported at historical cost (except for intangible right-to-use lease assets, the measurement of which is discussed in Note 1 D. *Leases* below). The reported value excludes normal maintenance and repairs, which are amounts spent in relation to capital assets that do not increase the asset's capacity or efficiency or increase its estimated useful life. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would be paid to acquire an asset with equivalent service potential on the date of the donation. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

Land and construction in progress are not depreciated. The other tangible and intangible assets of the School are depreciated/amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	8-40 years
Furniture and equipment	5 years

Accrued Salaries and Benefits

Salaries and benefits of teachers and other contracted personnel are paid over a twelve-month period, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds and have been fully funded as of the fiscal year end.

Unearned Revenue

Unearned revenue includes resources received by the School before the related revenue can be recognized because the earnings process is not complete.

Deferred outflows/inflows of resources

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Leases

Lessee: The School is a lessee for noncancellable leases of equipment. The School recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The School recognizes lease liabilities with an initial, individual value of $15,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

Mountain Sage Community 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.

OPEB

Mountain Sage Community 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.

Net position

For government-wide reporting, the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources is called net position. Net position is comprised of three components: net investment in capital assets, restricted, and unrestricted.

Net investment in capital assets consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances of bonds, notes, and other debt that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt are included in this component of net position.

Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Assets are reported as restricted when constraints are placed on asset use either by external parties or by law through constitutional provision or enabling legislation.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that does not meet the definition of the two preceding categories.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Sometimes the School will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal resolution of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. REVENUES AND EXPENDITURES/EXPENSES

Compensated Absences

The School recognizes a liability for compensated absences in accordance with the provisions of GASB Statement No. 101, *Compensated Absences*. Under this standard, a liability is reported for leave that is attributable to services already rendered, is to be used for time off, and is more likely than not to be used for time off or otherwise paid.

Vacation leave that meets these criteria is accrued when earned in the government-wide financial statements. Sick leave is accrued only to the extent that it is reasonably expected to be paid upon separation or used in future periods. The amount reported as a liability is based on the pay rates in effect at the end of the reporting period and includes applicable salary-related payments.

In the governmental fund financial statements, compensated absences are recognized as expenditures only when due.

F. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. UPCOMING ACCOUNTING AND REPORTING CHANGES

GASB Statement No. 105, *Subsequent Events*, was issued in December 2025 and is effective for fiscal years beginning after June 15, 2026. This statement defines subsequent events, modifies the subsequent events time frame, and requires the date through which subsequent events have been evaluated to be disclosed.

Management has not yet determined the effect this statement will have on the School's financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2026 is as follows:

Deposits	$ 356,719
Investments	1,615,682
Total	$ 1,972,401

Deposits and investments are reported in the financial statements as follows:

Cash and investments	$ 1,504,703
Restricted cash and investments	467,698
Total	$ 1,972,401

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions

Custodial Credit Risk—deposits: Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2026 was $356,719 and the bank balances were $355,893. Of the bank balances, $250,000 were covered by federal deposit insurance, and the remaining balance was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

The School is authorized by Colorado statutes to invest in the following:

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

At June 30, 2026 the School's investment balances were as follows:

Investment Type	Year-end Balance	Measurement	Maturity	Standard & Poor's Rating
Money Market	$ 467,698	Amortized cost	Less than 90 days	AAA
CSAFE	1,147,984	Net asset value	Less than 90 days	AAAm
	$ 1,615,682			

Local Government Investment Pools. The Colorado Surplus Asset Fund Trust (CSAFE) is an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating Local Government Investment Pools in the state of Colorado. Investments are limited to those allowed by state statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodians' internal records identify the investments owned by the participating governments. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

NOTE 2 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. As a means of managing its exposure to interest rate risk, the School has a board approved investment policy that limits investment maturities to five years or less. Colorado revised statute 24-75-601 also limits investment maturities to five years or less.

Credit Risk – Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. Credit risk is measured by the assignment of a rating by a nationally recognized statistical rating organization. State law and School policy limit investments to those described above.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be caused by the School's investment in a single issuer. The School places no limit on the amount it may invest in any one issuer. More than 20 percent of the School's investments are in Money Markets and CSAFE. These investments are 29% and 71%, respectively, of the School's total investments.

Fair value of investments. The School measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles (GAAP). These guidelines recognize a three-tiered fair value hierarchy as follows:

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

School investments measured at net asset value or amortized cost fall under the existing exemptions to fair value measurement.

NOTE 3 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2026 was as follows:

Governmental Activities	Beginning Balance	Increases	Deletions	Ending Balance
Capital assets being depreciated:				
Buildings and improvements	$3,957,898	$ -	$ -	$ 3,957,898
Furniture and equipment	19,596	-	-	19,596
Total capital assets being depreciated	3,977,494	-	-	3,977,494
Less accumulated depreciation for:				
Buildings and improvements	(436,250)	(115,456)	-	(551,706)
Furniture and equipment	(9,699)	(4,858)	-	(14,557)
Total accumulated depreciation	(445,949)	(120,314)	-	(566,263)
Total capital assets being depreciated, net	3,531,545	(120,314)	-	3,411,231
Lease assets being amortized:				
Furniture and equipment	57,200	-	-	57,200
Total lease assets being amortized	57,200	-	-	57,200
Less accumulated amortization for:				
Furniture and equipment	(43,581)	(10,895)	21,790	(32,686)
Total accumulated amortization	(43,581)	(10,895)	21,790	(32,686)
Total lease assets being amortized, net	13,619	(10,895)	21,790	24,514
Capital assets, net of accumulated depreciation/amortization	3,545,164	(131,209)	21,790	3,435,745
Total governmental activities capital assets	$3,545,164	$(131,209)	$21,790	$ 3,435,745

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

Governmental Activities	
Instruction	$ 131,209

NOTE 4 – LEASES

School as lessee

The School, as a lessee, has entered into a lease agreement with a lease term of 5 years. The total costs of the right-to-use lease asset is recorded as $57,200, less accumulated amortization of $32,686. The School has determined that as of June 30, 2026, there is no loss associated with an impairment of the right-to-use lease asset.

The future lease payments under lease agreements as of June 30, 2026 are as follows:

Fiscal Year Ending June 30	Interest	Principal	Total
2027	$ 1,292	$ 11,328	$ 12,620
2028	754	11,866	12,620
2029	191	4,016	4,207
	$ 2,237	$ 27,210	$ 29,447

NOTE 5 – LONG-TERM LIABILITIES

Building Loan

On April 27, 2022, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $8,990,000 Charter School Revenue Bonds, Series 2022. Proceeds of the Series 2022 Bonds were loaned to the Building Corp to provide funding to construct the School's educational facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Corp for using the facilities. The Building Corp is required to make equal payments to the trustee, for payment of the bonds. Interest accrues rates of 4.75 to 6.00% and is due semi-annually. Principal payments are due annually on July 1 through 2029.

On June 3, 2024 the School determined it would not complete the full scope of the project originally financed with the 2022 loan. Following this determination, the Building Corp redeemed $4,815,000 of 2022 bonds using funds remaining in the project fund that were originally intended to finance the building project. The School amended its lease agreement with the Building Corp to reflect the new fair market value of the leased property.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

Annual debt service requirements to maturity for the loan payable are as follows:

Fiscal Year Ending June 30	Governmental Activities Principal	Interest
2027	$ 15,000	$ 200,738
2028	95,000	197,438
2029	100,000	191,588
2030	3,965,000	94,294
Total	$4,175,000	$ 684,058

Changes in the School's long-term liabilities for the year ended June 30, 2026, are as follows:

Governmental Activities	Beginning Balance	Debt Issued and Additions	Reductions	Ending Balance	Due Within One Year
Loans payable	$ 4,175,000	$ -	$ -	$ 4,175,000	$ 15,000
Leases	38,024	-	(10,814)	27,210	11,328
Net pension liability	4,687,448	371,262	(632,798)	4,425,912	-
Net OPEB liability	83,168	6,913	(41,169)	48,912	-
Total Governmental Activities	$ 8,983,640	$ 378,175	$ (684,781)	$ 8,677,034	$ 26,328

Loans are liquidated in the Building Corp fund. All other long-term liabilities are liquidated in the General fund.

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2025. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

In all cases the service retirement benefit is limited to 100% of highest average salary and 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.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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, 2026: Eligible employees of, Mountain Sage Community School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2025 through June 30, 2026. Employer contribution requirements are summarized in the table below:

	July 1, 2025 Through June 30, 2026
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 Mountain Sage Community School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Mountain Sage Community School were $506,211 for the year ended June 30, 2026.

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. For 2025, 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 DPS Division Trust Fund. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual Direct Distribution.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2025, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll-forward the TPL to December 31, 2025. The Mountain Sage Community School proportion of the net pension liability was based on Mountain Sage Community School contributions to the SCHDTF for the calendar year 2025 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2026, the Mountain Sage Community School reported a liability of $4,425,912 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 Mountain Sage Community 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 Mountain Sage Community School were as follows:

Mountain Sage Community School proportionate share of the net pension liability	$ 4,425,912
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Mountain Sage Community School	415,934
Total	$ 4,841,846

At December 31, 2025, the Mountain Sage Community School proportion was 0.0283786434%, which was an increase of 0.0012127494% from its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the Mountain Sage Community School recognized pension expense of $713,697 and revenue of $60,827 for support from the State as a nonemployer contributing entity. At June 30, 2026, the Mountain Sage Community School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 266,372	$ -
Changes of assumptions or other inputs	21,727	-
Net difference between projected and actual earnings on pension plan investments	-	530,944
Changes in proportion and differences between contributions recognized and proportionate share of contributions	136,121	153,579
Contributions subsequent to the measurement date	259,633	N/A
Total	$ 683,853	$ 684,523

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

$259,633 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, 2027. 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:	
2027	$ 220,679
2028	(198,122)
2029	(148,747)
2030	(134,113)

Actuarial assumptions. The December 31, 2024, actuarial valuation used the following actuarial cost method and key 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	4.00% – 13.40%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06[1]	Financed by the AIR

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

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Mortality Table	Adjustments, as Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	**Males**: 106% of the rates for all ages **Females**: 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females:** 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the PERA Board on January 17, 2025.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 current member contribution rates in effect for each year, reflecting the prior increases as required by SB 18-200 and 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 the current fixed statutory rates specified in law for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. Employer contributions also include current and future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million 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. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual direct distribution. 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 because, per statute, AIR amounts cannot be used to pay benefits until they are transferred out of the AIR to the appropriate accounts for retirement and survivor benefit payments. Estimated transfers from the AIR and the related benefit payments were included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current plan members and were not projected to reach a depletion date. 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.

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Mountain Sage Community School proportionate share of the net pension liability to changes in the discount rate. The following table 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 1-percentage point lower (6.25%) or 1-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	$ 6,261,412	$ 4,425,912	$ 2,888,910

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/forms-resources/financial-reports-and-studies.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the Mountain Sage Community 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/forms-resources/financial-reports-and-studies.

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

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

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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.

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF. Effective July 1, 2026, HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Mountain Sage Community School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Mountain Sage Community School were $25,335 for the year ended June 30, 2026.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2026, the Mountain Sage Community School reported a liability of $48,912 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2025, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll-forward the TOL to December 31, 2025. The Mountain Sage Community School proportion of the net OPEB liability was based on Mountain Sage Community School contributions to the HCTF for the calendar year 2025 relative to the total contributions of participating employers to the HCTF.

At December 31, 2025, the Mountain Sage Community School proportion was 0.0181524112%, which was an increase of 0.0007592235% from its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the Mountain Sage Community School recognized OPEB expense of $(5,877) At June 30, 2026, the Mountain Sage Community 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	$ -	$ 19,791
Changes of assumptions or other inputs	537	23,742
Net difference between projected and actual earnings on OPEB plan investments	-	7,812
Changes in proportion and differences between contributions recognized and proportionate share of contributions	13,125	1,652
Contributions subsequent to the measurement date	12,995	N/A
Total	$ 26,657	$ 52,997

$12,995 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, 2027. 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:	
2027	$ (8,324)
2028	(11,197)
2029	(7,089)
2030	(7,858)
2031	(3,807)
Thereafter	(1,060)

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Actuarial assumptions. The December 31, 2024 actuarial valuation used the following actuarial cost method and key 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	4.00% - 13.40%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.00% in 2025, gradually decreasing to 4.50% in 2035
Medicare Part A premiums	3.50% in 2025, gradually increasing to 4.50% in 2033
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Each year the per capita health care costs are developed by plan option. As of the December 31, 2024, actuarial valuation, costs are based on 2025 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. MAPD premium costs are not age graded, an allowed exception under Section 3.7.7 (c) of Actuarial Standard of Practice No. 6.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	$4,188	$8,928
MAPD PPO #2	2,028	5,508
MAPD HMO (Kaiser)	2,040	7,596

The 2025 Medicare Part A premium is $518 per month.

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

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.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models, and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. PERACare Medicare plan rates are applied where members have no premium-free Part A.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2025	8.00%	3.50%
2026	7.65%	3.75%
2027	7.30%	3.75%
2028	6.95%	4.00%
2029	6.60%	4.00%
2030	6.25%	4.25%
2031	5.90%	4.25%
2032	5.55%	4.25%
2033	5.20%	4.50%
2034	4.85%	4.50%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2024, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2024, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Pre-Retirement	**Mortality Table**	**Adjustments, as Applicable**
School Division	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
School Division	PubT-2010 Healthy Retiree	**Males**: 106% of the rates for all ages **Females**: 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	**Mortality Table**	**Adjustments, as Applicable**
All Beneficiaries	Pub-2010 Contingent Survivor	**Males**: 92% of the rates for all ages **Females**: 100% of the rates for all ages
Disabled	**Mortality Table**	**Adjustments, as Applicable**
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages

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, 2024, 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 were updated to reflect costs for the 2025 plan year.

- The health care cost trend rates applicable to health plan premiums were revised to reflect the current expectation of future increases in those premiums.

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the Board on January 17, 2025.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

The PERA Board first adopted the 7.25% 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 November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected nominal rate of return assumption of 7.25%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

Sensitivity of the Mountain Sage Community School proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following table 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]	6.65%	7.65%	8.65%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate[1]	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$46,879	$48,912	$51,214

[1]For the January 1, 2026, plan year.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2024, and the financial status of the HCTF as of the current measurement date (December 31, 2025). 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, 2025, measurement date.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. The current employer contribution rate for the HCTF is 1.02% of salary. HB26-1400, effective July 1, 2026, reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the FNP for the HCTF was projected to be available to make all projected future benefit payments of current members and were not projected to reach a depletion date. 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 did 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.

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Mountain Sage Community School proportionate share of the net OPEB liability to changes in the discount rate. The following table 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 1-percentage-point lower (6.25%) or 1-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	$67,342	$48,912	$33,017

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/forms-resources/financial-reports-and-studies.

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

NOTE 10 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2026 there is a $135,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN SAGE COMMUNITY SCHOOL
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
SCHOOL DIVISION TRUST FUND
JUNE 30, 2026

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net pension liability (asset)	0.0283786434%	0.0271658940%	0.0295116891%	0.0246247083%	0.0269684369%	0.0288623980%	0.0244112763%	0.0207475003%	0.0226914645%	0.0194841480%
Employer's proportionate share of the net pension liability (asset)	$ 4,425,912	$ 4,687,448	$ 5,218,677	$ 4,484,028	$ 3,138,416	$ 4,363,412	$ 3,646,992	$ 3,673,771	$ 7,337,613	$ 5,801,184
State's proportionate share of the net pension liability (asset) associated with the Employer	415,934	421,007	114,430	1,306,691	359,779	-	462,575	502,337	-	-
Total	$ 4,841,846	$ 5,108,455	$ 5,333,107	$ 5,790,719	$ 3,498,195	$ 4,363,412	$ 4,109,567	$ 4,176,108	$ 7,337,613	$ 5,801,184
Employer's covered payroll	$ 2,300,439	$ 2,099,234	$ 1,950,989	$ 1,899,512	$ 1,685,442	$ 1,543,601	$ 1,434,561	$ 1,140,602	$ 1,046,730	$ 874,483
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	192.39%	223.29%	267.49%	236.06%	186.21%	282.68%	254.22%	322.09%	701.00%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	71.7%	67.2%	64.7%	61.8%	74.9%	67.0%	64.5%	57.0%	44.0%	43.1%

* The amounts presented for each year were determined as of December 31.

See the accompanying independent auditors' report.

MOUNTAIN SAGE COMMUNITY SCHOOL
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND
JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 506,211	$ 448,672	$ 402,409	$ 402,474	$ 335,066	$ 303,009	$ 306,009	$ 232,250	$ 205,351	$ 191,543
Contributions in relation to the contractually required contribution	(506,211)	(448,672)	(402,409)	(402,474)	(335,066)	(303,009)	(306,009)	(232,250)	(205,351)	(191,543)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 2,483,864	$ 2,201,530	$ 1,974,529	$ 1,974,848	$ 1,685,443	$ 1,524,190	$ 1,578,994	$ 1,214,062	$ 1,087,664	$ 1,042,127
Contributions as a percentage of covered payroll	20.38%	20.38%	20.38%	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	18.38%

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

See the accompanying independent auditors' report.

MOUNTAIN SAGE COMMUNITY SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
SCHOOL DIVISION TRUST FUND
JUNE 30, 2026

NOTE 1 – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2025 Changes in Plan Provisions Since 2024

SB 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling $500,000 on or after July 1, 2025, and before October 1, 2025. These dollars are held by PERA in a custodial capacity on behalf of the State of Colorado to be proportioned over time to replace reductions to future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an automatic adjustment provision (AAP) assessment ratio below the 98% benchmark and the alternative allocation method results in an AAP ratio that meets or exceeds the 98% benchmark.

HB 26-1400, enacted June 1, 2026, and effective July 1, 2026, modifies the allocation of the direct distribution. Beginning with the direct distribution on July 1, 2026, and annually thereafter, PERA is required to allocate the direct distribution to the Division Trust Funds on an actuarial basis. HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

NOTE 2 – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2025 Changes in Assumptions or Other Inputs Since 2024

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

MOUNTAIN SAGE COMMUNITY SCHOOL
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
HEALTH CARE TRUST FUND
JUNE 30, 2026

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Employer's proportion of the net OPEB liability (asset)	0.0181524112%	0.0173931877%	0.0176552236%	0.0187037402%	0.0176083457%	0.0166909309%	0.0159404534%	0.0134859937%	0.0128932030%	0.0110750214%
Employer's proportionate share of the net OPEB liability (asset)	$ 48,912	$ 83,168	$ 126,010	$ 152,712	$ 151,838	$ 158,601	$ 179,170	$ 183,483	$ 167,560	$ 143,591
Employer's covered payroll	$ 2,300,439	$ 2,099,234	$ 1,950,989	$ 1,876,211	$ 1,644,092	$ 1,486,796	$ 1,355,371	$ 1,167,946	$ 1,045,731	$ 874,483
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	2.13%	3.96%	6.46%	8.14%	9.24%	10.67%	13.22%	15.71%	16.02%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	76.1%	59.8%	46.2%	38.6%	39.4%	32.8%	24.5%	17.0%	17.5%	16.7%

* The amounts presented for each year were determined as of December 31.

See the accompanying independent auditors' report.

MOUNTAIN SAGE COMMUNITY SCHOOL
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS
HEALTH CARE TRUST FUND
JUNE 30, 2026

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Contractually required contribution	$ 25,335	$ 22,456	$ 20,140	$ 20,367	$ 17,192	$ 15,744	$ 16,106	$ 12,384	$ 11,093	$ 10,068
Contributions in relation to the contractually required contribution	(25,335)	(22,456)	(20,140)	(20,367)	(17,192)	(15,744)	(16,106)	(12,384)	(11,093)	(10,068)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Employer's covered payroll	$ 2,483,864	$ 2,201,530	$ 1,974,530	$ 1,996,765	$ 1,685,442	$ 1,571,378	$ 1,578,990	$ 1,214,069	$ 1,087,593	$ 987,031
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.00%	1.02%	1.02%	1.02%	1.02%

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

See the accompanying independent auditors' report.

MOUNTAIN SAGE COMMUNITY SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
HEALTH CARE TRUST FUND
JUNE 30, 2026

NOTE 1 – SIGNIFICANT CHANGES IN PLAN PROVISIONS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2025 Changes in Plan Provisions Since 2024

There were no changes made to plan provisions.

NOTE 2 – SIGNIFICANT CHANGES IN ASSUMPTIONS OR OTHER INPUTS AFFECTING TRENDS IN ACTUARIAL INFORMATION

2025 Changes in Assumptions or Other Inputs Since 2024

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

MOUNTAIN SAGE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts				
	Original	Final	Variance with Original Budget	Actual Amounts	Variance with Final Budget
REVENUES					
Local sources	$ 1,136,611	$ 1,072,711	$ (63,900)	$ 1,117,666	$ 44,955
State sources	3,659,024	3,335,818	(323,206)	3,300,721	(35,097)
Federal sources	22,583	22,583	-	148,177	125,594
Total revenues	4,818,218	4,431,112	(387,106)	4,566,564	135,452
EXPENDITURES					
Instruction	2,632,992	2,758,829	(125,837)	2,509,608	249,221
Supporting services	2,140,423	1,677,953	462,470	2,045,595	(367,642)
Debt service:					
Interest	-	-	-	1,806	(1,806)
Principal	5,123	5,123	-	10,814	(5,691)
Total expenditures	4,778,538	4,441,905	336,633	4,567,823	(125,918)
Excess (deficiency) of revenues over expenditures	39,680	(10,793)	(50,473)	(1,259)	9,534
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	(3,000)	(3,000)
Total other financing sources (uses)	-	-	-	(3,000)	(3,000)
Net change in fund balances	39,680	(10,793)	(50,473)	(4,259)	6,534
Fund balances - beginning	841,125	1,307,357	466,232	1,307,357	-
Fund balance - ending	$ 880,805	$ 1,296,564	$ 415,759	$ 1,303,098	$ 6,534

See the accompanying Independent Auditors' Report.

MOUNTAIN SAGE COMMUNITY SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BUILDING CORP FUND
FOR THE YEAR ENDED JUNE 30, 2026

	Budgeted Amounts				
	Original	Final	Variance with Original Budget	Actual Amounts	Variance with Final Budget
REVENUES					
Local sources	$ 233,488	$ 233,488	$ -	$ 229,738	$ (3,750)
Total revenues	233,488	233,488	-	229,738	(3,750)
EXPENDITURES					
Supporting services			-	3,250	(3,250)
Debt service:					
Interest	233,488	233,488	-	201,188	32,300
Total expenditures	233,488	233,488	-	204,438	29,050
Excess (deficiency) of revenues over expenditures	-	-	-	25,300	25,300
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	3,000	3,000
Total other financing sources (uses)	-	-	-	3,000	3,000
Net change in fund balances	-	-	-	28,300	28,300
Fund balances - beginning	422,509	439,398	16,889	439,398	-
Fund balance - ending	$ 422,509	$ 439,398	$ 16,889	$ 467,698	$ 28,300

See the accompanying Independent Auditors' Report.

MOUNTAIN SAGE COMMUNITY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
JUNE 30, 2026

Budgetary Information

Budgets are required by State law for all funds, except fiduciary funds. The Head of School submits a proposed budget to the Board of Directors for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the School and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Directors to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the board may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the board may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonably foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with the Head of School. Revisions that alter the total expenditures in any fund must be approved by the Board of Directors. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Directors.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP-basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year earned. Thus, the School budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Head of School and/or Board of Directors throughout the year. All appropriations lapse at the end of each fiscal year.

Excess of Expenditures over Appropriations

For the year ended June 30, 2026, expenditures exceeded appropriations in the General Fund by $125,918. These over-expenditures were funded by greater than anticipated revenues.

General Fund Budgetary Highlights

Original budget compared to final budget. The most significant differences between the original and final budget were as follows:

Revenue source	Original Budget	Final Budget	Difference
Local Sources	1,136,611	1,072,711	(63,900)
State Sources	3,659,024	3,335,818	(323,206)

Expenditures	Original Budget	Final Budget	Difference
Instruction	2,632,992	2,758,829	(125,837)
Supporting Services	2,140,423	1,677,953	462,470

MOUNTAIN SAGE COMMUNITY SCHOOL
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON
JUNE 30, 2026

The FY2026 budget was amended to reflect enrollment of 259 students compared to the original budget assumption of 295 students. This created a reduction in local sources from the Mill Levy and from pupil activity fees. The reduction in the state sources is also from the reduced per pupil revenue expected due to a reduction in students.

The instruction expenditures increased in the final budget due to the creation of a new position and the associated benefits. The supporting services final budget decreased due to the change in staffing plans and their associated benefits. There was also a reduction in maintenance salaries and benefits. All of these reductions are due to the decrease in the actual student count.

Final budget compared to actual results. The most significant differences between the final budget and actual results were as follows:

Revenue source	Final Budget	Actual revenues	Difference
Federal Sources	22,583	148,177	125,594

Expenditures	Final Budget	Actual expenditures	Difference
Instruction	2,758,829	2,509,608	249,221
Supporting Services	1,677,953	2,045,595	(367,642)

Actual federal funding revenue exceeded the final budget by $125,000. This is because revenue from the Charter School Facility Assistance Grant for $75,000 and NSLP Grant for $36,000 were received later in the year, but not included in the budget.

Instructional expenditures were below budget and supporting services were above budget due to classification of salaries and benefits between the categories. The other increase in actual over budget for supporting services was related to salary and benefit overages.

Building Corp Fund Budgetary Highlights

During the fiscal year, there was no need for any significant amendments to increase either the original estimated revenues or the original budgeted expenditures.

Final budget compared to actual results. The most significant differences between the final budget and actual results were as follows:

Expenditures	Final Budget	Actual expenditures	Difference
Debt Service - Interest	233,488	201,188	32,300

In the building fund, the debt service interest was below the budget, mainly due to the district's treasury intercept that has some monthly adjustments that can fluctuate.