

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2018

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DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
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June 30, 2018

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**HINKLE &
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Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
DCS Montessori Charter School
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the DCS Montessori Charter School, component unit of Douglas County School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the DCS Montessori Charter School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the DCS Montessori Charter School as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, the DCS Montessori Charter School adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hick & Company, PC

Greenwood Village, Colorado
October 23, 2018



DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

As management of the **DCS Montessori Charter School (the School)**, we offer readers of the DCS Montessori Charter School financial statements this narrative overview and analysis of the financial activities of the DCS Montessori Charter School for the fiscal year ended June 30, 2018.

Financial Highlights

The combined liabilities and deferred inflows of the DCS Montessori Charter School and the Montessori Educational Foundation of Douglas County exceeded its combined assets and deferred outflows at the close of the most recent fiscal year by \$11,460,759, a decrease of \$3,085,659 which is a further deterioration in the negative net position over the prior year. The negative net position is primarily due to the implementation of the Governmental Accounting Standards Board Statement (GASB) 68, a pension related accounting standard and GASB 75, other post-employment benefits (OPEB) standard. The School is now required to recognize its proportionate share of the unfunded pension obligation for the Public Employees' Retirement Association's School Division Trust Fund, which significantly worsened over the prior year. The combined pension and OPEB liability exceeded seventeen million.

The DCS Montessori Charter School general fund ending balance decreased \$27,567 to \$1,060,080. This decrease represents .54% of annual General Fund revenue and 2.5% of beginning fund balance. The decrease was planned and significantly less than the budgeted deficit.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the DCS Montessori Charter School's basic financial statements. The DCS Montessori Charter School'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 Financial Statements

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

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

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

DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

The government-wide statement of activities distinguishes functions/programs of the DCS Montessori Charter School supported primarily by State Per-Pupil Revenue (PPR) or property taxes passed through from the Douglas County School District RE-1. The governmental activities of the DCS Montessori Charter School include instruction and supporting services expense.

The government-wide financial statements can be found on pages 3 and 4 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DCS Montessori Charter School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

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

The DCS Montessori Charter School maintains one individual governmental fund, the General Fund.

The DCS Montessori Charter School Board approves an annual adopted and revised budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget and shown on page 33.

Proprietary Fund The Proprietary (the Foundation) fund shows a negative net position of (\$59,970). We can attribute this negative net position to the unfunded depreciation expense and the debt life cycle of a mortgage (more interest expense in early years). The overall net position of the Foundation improved again in FY18. The increase in net position of \$9,414 was primarily due to contributed capital of \$15,091 from the School.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 11-30.

DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the DCS Montessori Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by \$11,460,759 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$16,729,065, representing the School's proportionate share of the plan's net pension liability.

DCS Montessori Charter School and Foundation Net position at June 30, 2018 and 2017 respectively:

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Business-Type Activities June 30, 2018	Business-Type Activities June 30, 2017
Cash and Investments	1,342,985	1,329,978	1,222,819	1,224,754
Other Assets	21,402	9,576	17,763	25,517
Capital Assets	41,133	29,431	6,606,068	6,830,384
Total Assets	1,405,520	1,368,985	7,846,650	8,080,655
Deferred Outflows of Resources	5,299,548	6,001,683	389,961	417,816
Current Liabilities	304,307	251,907	167,994	174,079
Other Liabilities	0	0	8,128,587	8,393,776
Net Pension/OPEB Liability	17,111,086	14,972,704	0	0
Total Liabilities	17,415,393	15,224,611	8,296,581	8,567,855
Deferred Inflows of Resources	690,464	94,520	0	0
Net Position				
Net Inv. in Capital Assets	41,133	29,431	(1,132,558)	(1,145,576)
Restricted	157,000	150,000	962,648	958,393
Unrestricted	(11,598,922)	(8,127,894)	109,940	117,799
Total Net Position	(11,400,789)	(7,948,463)	(59,970)	(69,384)

DCS Montessori Foundation's restricted cash (14.4% of Foundation's Assets) resides with the trustee. The Foundation's capital assets represent 84.2% of its Total Assets. The remaining Foundation assets represent inventory, prepaid expenses and accounts receivable. The School has set aside the required reserves and is Tabor compliant. 95.6% of the School's assets represent cash and investments. The School's liabilities include the net pension liability (96.1%), other post-employment benefits (2.2%), unearned revenue (.7%), and accounts payable/accrued salaries and benefits (1%).

DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

**DCS Montessori Charter School and Foundation Change in Net Position
For the Year Ended June 30, 2018 and 2017 respectively:**

	Governmental Activities June 30, 2018	Governmental Activities June 30, 2017	Business-Type Activities June 30, 2018	Business-Type Activities June 30, 2017
Program Revenue:				
Charges for Services	\$ 1,642,778	\$ 1,707,067	\$0	\$0
Operating Grants and Contributions	11,391	22,167	0	0
Total Program Revenue	1,654,169	1,729,234	0	0
General Revenue:				
Per Pupil Revenue	3,042,821	2,938,537	0	0
Mill Levy Revenue	224,702	225,568	0	0
Capital Construction	109,454	114,895	0	0
Interest Earnings	22,022	9,940	1,731	6,245
Grants and Contributions Not Restricted	16,561	8,726	244,940	228,815
Miscellaneous	44,268	9,657	0	0
Total General Revenue	3,459,828	3,307,323	246,671	235,060
Total Revenue	5,113,997	5,036,557	246,671	235,060
Expenses:				
Current:				
Instruction	5,458,296	4,801,115	0	0
Supporting Services	2,092,042	1,916,112	0	0
Building Corporation	0	0	895,989	873,766
Total Expenses	7,550,338	6,717,227	895,989	873,766
Transfers In (Out)	(658,732)	(835,471)	658,732	835,471
Increase (Dec.) in Net Position	(3,095,073)	(2,516,141)	9,414	196,765
Beginning Net Position, as restated	(8,305,716)	(5,432,322)	(69,384)	(266,149)
Ending Net Position	\$ (11,400,789)	\$ (7,948,463)	\$ (59,970)	\$ (69,384)

DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

Net position, which is a very good indicator of financial performance, decreased during FY18 for the Governmental Activities/DCS Montessori Charter School by \$3,095,073. The decrease was primarily due to the increase in the Net Pension and OPEB liability. Net position for the Business Type Activities/Foundation increased for the same period ending June 30, 2018 by \$9,414 primarily due to capital contributed by the School. On a combined basis, the net position decreased by \$3,085,659.

Financial Analysis of the School's Funds

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

Governmental Funds The focus of the DCS Montessori Charter 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 DCS Montessori Charter School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of, or during, the fiscal year. As of June 30, 2018, the School's general fund reported an ending fund balance of \$1,060,080, a decrease of 2.5% or \$27,567. The decrease was planned but significantly better than the budgeted deficit.

Foundation – Business Type Activities Net position increased primarily because of contributed capital. The increase of \$9,414 in net position represents a 13.6% improvement bringing the negative net position to (\$59,970).

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Total FY18 expenditure appropriations for the general fund were \$5,279,250 with actual expenditures of \$5,149,089 resulting in a positive variance of \$130,161.

Capital Asset and Debt Administration:

Capital Assets Total capital assets including land totaled \$10,627,004. Total depreciation taken for the period ending June 30, 2018 was \$278,519. Accumulated depreciation was \$3,979,803 which resulted in net capital assets of \$6,647,201. Asset additions included playground equipment, intercom and stove of \$65,905.

Long-term Debt The School participates in a long-term lease agreement with the Montessori Educational Foundation of Douglas County. Annual rental payments are made to the Foundation ranging from \$633,925 to \$728,812. The prior debt issued for the School's facility (2002) was refunded in July of 2012 with two major purposes: 1) To lower the annual debt service and, 2) To produce funding for the new Middle School Program's expansion and capital construction needs. As part of the refunding, a Project Fund of \$966,709 was created to support the construction of the new Middle School building. Additionally, to free-up funds for the Middle School Program's initial capital needs, the first three years of debt service was approximately \$50,000 lower than the average annual debt service for future years.

DCS Montessori Charter School (A component unit of the Douglas County
School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2018

The Foundation services the new debt with interest accruing at rates ranging from 2% to 5%. The debt matures in July 2037. Please refer to note 5 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget

Enrollment and Per Pupil Revenue remain the key components driving the budget preparation process each year. Funding increases the last two years have helped to chip away at the State's unfunded negative factor (currently \$672 million). Increases in Capital Construction Funding will go a long way to support the School's facility lease expense. The State's economy continues to grow with State unemployment being very low and sales tax growth on a record pace. Consequently we are optimistic and believe future funding increases will materialize. Enrollment has been relatively flat the last few years as the School is operating at capacity. FY16, FY17 and FY18 K- 8 enrollment was 444, 439 and 441 respectively. The enrollment excludes preschool.

The FY 2018/2019 adopted budget projects that DCS Montessori Charter School will increase the general fund ending fund balance by \$9,755 or 1%. This budget is based on a projected funded pupil count (FPC) of 410.8, which considers kindergarten students being funded at 58% of the per pupil revenue rate.

Requests for Information

This financial report is designed to provide a general overview of the DCS Montessori Charter 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 DCS Montessori Charter School, Rachel Bonin, 311 Castle Pines Parkway, Castle Pines, CO 80108.

Basic Financial Statements

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 1,342,985	\$ 95,124	\$ 1,438,109
Restricted Cash and Investments	-	1,127,695	1,127,695
Accounts Receivable	1,283	2,457	3,740
Inventory	-	13,667	13,667
Prepaid Expenses	20,119	1,639	21,758
Capital Assets, <i>Not Being Depreciated</i>	-	508,415	508,415
Capital Assets, <i>Net of Accumulated Depreciation</i>	41,133	6,097,653	6,138,786
	<u>1,405,520</u>	<u>7,846,650</u>	<u>9,252,170</u>
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	5,275,183	-	5,275,183
OPEB, <i>Net of Accumulated Amortization</i>	24,365	-	24,365
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	389,961	389,961
	<u>5,299,548</u>	<u>389,961</u>	<u>5,689,509</u>
Liabilities			
Accounts Payable	15,161	490	15,651
Accrued Salaries and Benefits	165,796	-	165,796
Unearned Revenues	123,350	-	123,350
Accrued Interest Payable	-	167,504	167,504
Noncurrent Liabilities			
Due Within One Year	-	285,000	285,000
Due in More Than One Year	-	7,843,587	7,843,587
Net Pension Liability	16,729,065	-	16,729,065
Net OPEB Liability	382,021	-	382,021
	<u>17,415,393</u>	<u>8,296,581</u>	<u>25,711,974</u>
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	684,073	-	684,073
OPEB, <i>Net of Accumulated Amortization</i>	6,391	-	6,391
	<u>690,464</u>	<u>-</u>	<u>690,464</u>
Net Position			
Net Investment in Capital Assets	41,133	(1,132,558)	(1,091,425)
Restricted for:			
Debt Service	-	810,705	810,705
Repair and Replacement	-	151,943	151,943
Emergencies	157,000	-	157,000
Unrestricted	(11,598,922)	109,940	(11,488,982)
	<u>\$ (11,400,789)</u>	<u>\$ (59,970)</u>	<u>\$ (11,460,759)</u>

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 5,458,296	\$ 1,631,060	\$ 11,391	\$ (3,815,845)	\$ -	\$ (3,815,845)
Supporting Services	<u>2,092,042</u>	<u>11,718</u>	<u>-</u>	<u>(2,080,324)</u>	<u>-</u>	<u>(2,080,324)</u>
Total Governmental Activities	<u>7,550,338</u>	<u>1,642,778</u>	<u>11,391</u>	<u>(5,896,169)</u>	<u>-</u>	<u>(5,896,169)</u>
<i>Business-Type Activities</i>						
Foundation	<u>895,989</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(895,989)</u>	<u>(895,989)</u>
Total Primary Government	<u>\$ 8,446,327</u>	<u>\$ 1,642,778</u>	<u>\$ 11,391</u>	<u>(5,896,169)</u>	<u>(895,989)</u>	<u>(6,792,158)</u>
General Revenues						
Per Pupil Revenue				3,042,821	-	3,042,821
District Mill Levy				224,702	-	224,702
Capital Construction				109,454	-	109,454
Grants and Contributions not Restricted to Specific Programs				16,561	244,940	261,501
Investment Income				22,022	1,731	23,753
Other				44,268	-	44,268
Transfers				<u>(658,732)</u>	<u>658,732</u>	<u>-</u>
Total General Revenues and Transfers				<u>2,801,096</u>	<u>905,403</u>	<u>3,706,499</u>
Change in Net Position				<u>(3,095,073)</u>	<u>9,414</u>	<u>(3,085,659)</u>
Net Position, Beginning of year				<u>(8,305,716)</u>	<u>(69,384)</u>	<u>(8,375,100)</u>
Net Position, End of year				<u>\$ (11,400,789)</u>	<u>\$ (59,970)</u>	<u>\$ (11,460,759)</u>

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets	
Cash and Investments	\$ 1,342,985
Accounts Receivable	1,283
Prepaid Expenditures	20,119
Total Assets	\$ 1,364,387
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 15,161
Accrued Salaries and Benefits	165,796
Unearned Revenues	123,350
Total Liabilities	304,307
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	20,119
Committed to:	
Legal Costs	5,000
Special Education	60,000
Restricted for Emergencies	157,000
Unrestricted, Unassigned	817,961
Total Fund Balance	1,060,080
Total Liabilities and Fund Balance	\$ 1,364,387

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

Total Fund Balance of the Governmental Fund	\$ 1,060,080
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	41,133
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Net pension liability	(16,729,065)
Pension-related deferred outflows of resources	5,275,183
Pension-related deferred inflows of resources	(684,073)
Net OPEB liability	(382,021)
OPEB-related deferred outflows of resources	24,365
OPEB-related deferred inflows of resources	(6,391)
Total Net Position of Governmental Activities	\$ (11,400,789)

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District Re.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	<u>General</u>
Revenues	
<i>Local Sources</i>	
Per Pupil Revenue	\$ 3,042,821
District Mill Levy	224,702
Student Fees and Activities	1,631,060
Contributions	16,561
Rental Income	11,718
Investment Income	22,022
Other	44,268
<i>State Sources</i>	
Capital Construction	109,454
Grants	<u>11,391</u>
Total Revenues	<u>5,113,997</u>
Expenditures	
Instruction	3,158,595
Supporting Services	<u>1,990,494</u>
Total Expenditures	<u>5,149,089</u>
Excess of Revenues Over (Under) Expenditures	(35,092)
Other Financing Sources	
Transfers In	<u>7,525</u>
Net Change in Fund Balance	(27,567)
Fund Balance, Beginning of year	<u>1,087,647</u>
Fund Balance, End of year	<u><u>\$ 1,060,080</u></u>

DCS Montessori Charter School

(A Component Unit of Douglas County School District RE.1)

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$ (27,567)
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 expense	(5,353)
Capital outlay	17,055
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 governmental funds. This includes changes in the following.	
Net pension liability	(1,756,361)
Pension-related deferred outflows of resources	(726,500)
Pension-related deferred inflows of resources	(589,553)
Net OPEB liability	(11,415)
OPEB-related deferred outflows of resources	11,012
OPEB-related deferred inflows of resources	<u>(6,391)</u>
Change in Net Position of Governmental Activities	<u>\$ (3,095,073)</u>

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2018

	Foundation
Assets	
<i>Current Assets</i>	
Cash and Investments	\$ 95,124
Restricted Cash and Investments	1,127,695
Accounts Receivable	2,457
Inventory	13,667
Prepaid Expenses	1,639
Total Current Assets	1,240,582
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	508,415
Capital Assets, <i>Net of Accumulated Depreciation</i>	6,097,653
Total Noncurrent Assets	6,606,068
Total Assets	7,846,650
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	389,961
Liabilities	
<i>Current Liabilities</i>	
Accounts Payable	490
Accrued Interest Payable	167,504
Loan Payable, <i>Current Portion</i>	285,000
Total Current Liabilities	452,994
<i>Noncurrent Liabilities</i>	
Loan Payable	7,843,587
Total Liabilities	8,296,581
Net Position	
Net Investment in Capital Assets	(1,132,558)
Restricted for:	
Debt Service	810,705
Repair and Replacement	151,943
Unrestricted	109,940
Total Net Position	\$ (59,970)

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Foundation
Operating Revenues	
Lease Income	\$ 651,166
Contributions	244,940
Total Operating Revenues	896,106
Operating Expenses	
Supporting Services	227,017
Depreciation	273,166
Debt Service	
Interest	395,806
Total Operating Expenses	895,989
Net Operating Income	117
Nonoperating Revenues	
Investment Income	1,731
Net Income Before Capital Contributions and Transfers	1,848
Transfers Out	(7,525)
Contributed Capital Assets	15,091
Change in Net Position	9,414
Net Position, <i>Beginning of year</i>	(69,384)
Net Position, <i>End of year</i>	\$ (59,970)

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Foundation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 651,166
Cash Received from Contributions and Fundraising	244,940
Payments to Vendors and Recipients	(221,459)
Loan Principal Payments	(265,000)
Loan Interest Payments	<u>(371,491)</u>
Net Cash Provided (Used) by Operating Activities	<u>38,156</u>
Cash Flows From Capital and Related Financing Activities	
Acquisition of Capital Assets	<u>(33,759)</u>
Cash Flows From Investing Activities	
Investment Income Received	1,193
Payments to Other Funds	<u>(7,525)</u>
Net Cash Provided (Used) by Investing Activities	<u>(6,332)</u>
Net Change in Cash and Cash Equivalents	(1,935)
Cash and Cash Equivalents, Beginning of year	<u>1,224,754</u>
Cash and Cash Equivalents, End of year	<u>\$ 1,222,819</u>
Reconciliation of Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Net Operating Income	\$ 117
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	273,166
Amortization of Premium	(189)
Amortization of Loss on Debt Refunding	27,855
Changes in Assets and Liabilities	
Inventory	7,888
Prepaid Expenses	404
Accounts Payable	(2,734)
Accrued Interest Payable	(3,351)
Loan Payable	<u>(265,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 38,156</u>
Noncash Capital Transactions	
Contributed Capital Assets	<u>\$ 15,091</u>

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

The DCS Montessori Charter School (the School) was organized in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District) in the State of Colorado.

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

Reporting Entity

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

The School includes the Montessori Educational Foundation of Douglas County (the Foundation) within its reporting entity. The Foundation is a non-profit organization established to provide educational activities that are not typically budgeted in the School's fiscal plan. The Foundation nurtures relationships between business, educational, governmental, and charitable organizations for the purpose of enhancing education for the School. The Foundation was also formed to obtain financing for School facilities which may not be available to the School directly. The Foundation is blended into the School's financial statements as an enterprise fund. Separate financial statements are not issued.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports the following major proprietary fund:

Foundation - This fund is used to account for the activities of the Foundation, including fundraising and the financing of educational facilities.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

Inventory - Grocery scrip inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed.

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

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

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

Land Improvements	15 years
Buildings and Improvements	40 years
Furniture and Equipment	5 - 7 years

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Compensated Absences - Employees are allowed to accumulate unused personal/sick time. Employees may elect to be paid for the accumulated unused personal/sick time at the conclusion of the school year at the rate of \$80 per day for salaried staff and \$40 for every four hours for classified staff. Accumulated but unpaid personal/sick time is not paid upon termination of employment. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), 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, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

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

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Foundation had a negative net position of \$59,970. Management expects this negative balance to be eliminated as the Foundation's debt is paid.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 3: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following:

Deposits	\$ 109,112
Investments	<u>2,456,692</u>
 Total	 <u>\$ 2,565,804</u>

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

Cash and Investments	\$ 1,438,109
Restricted Cash and Investments	<u>1,127,695</u>
 Total	 <u>\$ 2,565,804</u>

Deposits

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

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

At June 30, 2018, the School and the Foundation had the following investments:

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>			<u>Total</u>
		<u>Less than 1</u>	<u>1 - 5</u>	<u>More Than 5</u>	
Uninvested Cash	NA	\$ 4,438	\$ -	\$ -	\$ 4,438
Brokered Certificate of Deposit	NA	-	59,617	-	59,617
U.S. Agency Securities	AA+	139,287	427,858	122,938	690,083
Local Government Investment Pool	AAAm	<u>1,702,554</u>	<u>-</u>	<u>-</u>	<u>1,702,554</u>
Total		<u>\$ 1,846,279</u>	<u>\$ 487,475</u>	<u>\$ 122,938</u>	<u>\$ 2,456,692</u>

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2018, the investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The external investment pool was reported at the net asset value per share.

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

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2018, the School's investments in the Federal National Mortgage Association, Federal Farm Credit Banks Funding Corporation, Federal Home Loan Banks, and Federal Home Loan Mortgage Corporation represented 5%, 8%, 5%, and 10%, respectively, of total investments.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 3: Cash and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2018, the School and the Foundation had \$1,702,554 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. CSAFE is rated AAAM by Standard and Poor's. Investments of CSAFE 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 custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Cash and investments of \$1,127,695 have been restricted by the Foundation's loan agreement for future debt service and facility repair and replacement.

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2018, are summarized below:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 62,553	\$ 17,055	\$ -	\$ 79,608
Accumulated Depreciation	(33,122)	(5,353)	-	(38,475)
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 29,431</u>	<u>\$ 11,702</u>	<u>\$ -</u>	<u>\$ 41,133</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 4: Capital Assets (Continued)

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 508,415	\$ -	\$ -	\$ 508,415
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	322,416	-	-	322,416
Buildings and Improvements	9,373,625	-	-	9,373,625
Furniture and Equipment	294,090	48,850	-	342,940
Total Capital Assets, <i>Being Depreciated</i>	<u>9,990,131</u>	<u>48,850</u>	<u>-</u>	<u>10,038,981</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(84,861)	(21,494)	-	(106,355)
Buildings and Improvements	(3,346,929)	(241,723)	-	(3,588,652)
Furniture and Equipment	(236,372)	(9,949)	-	(246,321)
Total Accumulated Depreciation	<u>(3,668,162)</u>	<u>(273,166)</u>	<u>-</u>	<u>(3,941,328)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>6,321,969</u>	<u>(224,316)</u>	<u>-</u>	<u>6,097,653</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 6,830,384</u>	<u>\$ (224,316)</u>	<u>\$ -</u>	<u>\$ 6,606,068</u>

Note 5: Long-Term Debt

Following is a summary of the long-term debt transactions for the year ended June 30, 2018.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
Business-Type Activities					
2012 Loan	\$ 8,390,000	\$ -	\$ 265,000	\$ 8,125,000	\$ 285,000
Premium	3,776	-	189	3,587	-
Total	<u>\$ 8,393,776</u>	<u>\$ -</u>	<u>\$ 265,189</u>	<u>\$ 8,128,587</u>	<u>\$ 285,000</u>

In July, 2012, the Colorado Educational and Cultural Facilities Authority issued \$9,420,000 Charter School Refunding and Improvement Bonds. Proceeds were used to refund the outstanding Charter School Revenue Refunding Bonds, Series 2002, originally loaned to the Foundation to purchase and construct the School's education facilities, and to finance the construction of facilities to accommodate the middle school component of the School.

The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 2% to 5%. Principal and interest payments are due semi-annually on January 15 and July 15, through July 15, 2037.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 5: Long-Term Debt (Continued)

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 285,000	\$ 363,187	\$ 648,187
2020	280,000	353,925	633,925
2021	300,000	344,663	644,663
2022	305,000	334,913	639,913
2023	315,000	324,919	639,919
2024 - 2028	1,795,000	1,424,300	3,219,300
2029 - 2033	2,260,000	968,875	3,228,875
2034 - 2038	<u>2,585,000</u>	<u>334,000</u>	<u>2,919,000</u>
Total	<u>\$ 8,125,000</u>	<u>\$ 4,448,782</u>	<u>\$ 12,573,782</u>

Note 6: Interfund Transactions

During the year ended June 30, 2018, the Foundation's trustee distributed excess interest earnings of \$7,525 to the School.

Note 7: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The School's contributions to the SDTF for the year ended June 30, 2018, were \$479,105, equal to the required contributions.

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

At June 30, 2018, the School reported a net pension liability of \$16,729,065, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0517343960%, which was an increase of 0.0014463221% from its proportion measured at December 31, 2016.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$7,558,047.

For the year ended June 30, 2018, the School recognized pension expense of \$3,708,836. At June 30, 2018, the 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
Differences between expected and actual experience	\$ 307,576	\$ -
Changes of assumptions and other inputs	4,271,551	27,107
Net difference between projected and actual earnings on plan investments	-	656,966
Changes in proportion	436,173	-
Contributions subsequent to the measurement date	259,883	-
Total	\$ 5,275,183	\$ 684,073

School contributions subsequent to the measurement date of \$259,883 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019	\$ 2,853,334
2020	1,659,543
2021	65,504
2022	(247,154)
Total	\$ 4,331,227

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2018

Note 7: Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ⁽¹⁾	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

⁽¹⁾ The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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Note 7: Defined Benefit Pension Plan (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

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Note 7: Defined Benefit Pension Plan (Continued)

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 21,131,654	\$ 16,729,065	\$ 13,141,457

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

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Note 8: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$24,554, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$382,021, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0293952688%, which was an increase of 0.0008109156% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$31,554. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,807	\$ -
Net difference between projected and actual earnings on plan investments	-	6,391
Changes in proportion	8,787	-
Contributions subsequent to the measurement date	13,771	-
 Total	 \$ 24,365	 \$ 6,391

School contributions subsequent to the measurement date of \$13,771 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

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Note 8: Postemployment Healthcare Benefits (Continued)

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

Year Ended June 30,

2019	\$	484
2020		484
2021		484
2022		484
2023		2,081
2024		186
		<hr/>
Total	\$	<u>4,203</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

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Note 8: Postemployment Healthcare Benefits (Continued)

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

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 7.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 429,512	\$ 382,021	\$ 341,486

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 June 30, 2018

Note 8: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 371,510	\$ 382,021	\$ 394,681

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 9: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$157,000.

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 Notes to Financial Statements
 June 30, 2018

Note 10: Change in Accounting Principle

For the year ended June 30, 2018, the School adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (7,948,463)
Deferred Outflow of Resources	13,353
Net OPEB Liability	(370,606)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (8,305,716)

Required Supplementary Information

DCS Montessori Charter School
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 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0517343960%	0.0502880739%	0.0484434783%	0.0479266287%	0.0491429554%
School's Proportionate Share of the Net Pension Liability	\$ 16,729,065	\$ 14,972,704	\$ 7,409,088	\$ 6,495,668	\$ 6,268,171
School's Covered Payroll	\$ 2,386,445	\$ 2,257,020	\$ 2,111,440	\$ 2,007,780	\$ 1,981,110
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 454,551	\$ 424,965	\$ 391,331	\$ 342,389	\$ 314,517
Contributions in Relation to the Statutorily Required Contribution	<u>(454,551)</u>	<u>(424,965)</u>	<u>(391,331)</u>	<u>(342,389)</u>	<u>(314,517)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,407,270	\$ 2,311,058	\$ 2,205,458	\$ 2,027,653	\$ 1,966,852
Contributions as a Percentage of Covered Payroll	18.88%	18.39%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

DCS Montessori Charter School
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 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado
 Health Care Trust Fund
 June 30, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0293952688%
School's Proportionate Share of the Net OPEB Liability	\$ 382,021
School's Covered-Employee Payroll	\$ 2,486,130
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
School Contributions	
Statutorily Required Contribution	\$ 24,554
Contributions in Relation to the Statutorily Required Contribution	(24,554)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 2,535,360
Contributions as a Percentage of Covered-Employee Payroll	0.97%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

DCS Montessori Charter School
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Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,012,582	\$ 2,998,992	\$ 3,042,821	\$ 43,829
District Mill Levy	228,812	227,924	224,702	(3,222)
Student Fees and Activities	1,710,880	1,631,000	1,631,060	60
Contributions	-	-	16,561	16,561
Rental Income	5,000	5,000	11,718	6,718
Investment Income	11,300	11,300	22,022	10,722
Other	19,500	9,500	44,268	34,768
<i>State Sources</i>				
Capital Construction	145,573	111,500	109,454	(2,046)
Grants	-	9,768	11,391	1,623
Total Revenues	<u>5,133,647</u>	<u>5,004,984</u>	<u>5,113,997</u>	<u>109,013</u>
Expenditures				
Salaries	2,645,542	2,628,541	2,535,360	93,181
Employee Benefits	796,201	812,875	819,824	(6,949)
Purchased Services	1,223,324	1,234,834	1,261,867	(27,033)
Supplies	264,400	245,400	228,515	16,885
Property	108,600	97,000	103,938	(6,938)
Other	210,000	210,600	199,585	11,015
Contingency	-	50,000	-	50,000
Total Expenditures	<u>5,248,067</u>	<u>5,279,250</u>	<u>5,149,089</u>	<u>130,161</u>
Excess of Revenues Over (Under) Expenditures	(114,420)	(274,266)	(35,092)	239,174
Other Financing Sources				
Transfers In	-	-	7,525	7,525
Net Change in Fund Balance	(114,420)	(274,266)	(27,567)	246,699
Fund Balance, Beginning of year	<u>1,141,926</u>	<u>1,087,647</u>	<u>1,087,647</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 1,027,506</u>	<u>\$ 813,381</u>	<u>\$ 1,060,080</u>	<u>\$ 246,699</u>

DCS Montessori Charter School
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Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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