

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2017



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JOHN CUTLER & ASSOCIATES

Board of Directors
St. Vrain Community Montessori School
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of St. Vrain Community Montessori School (the "School"), component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the 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.

Auditor's 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 auditor's 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 entity's 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 entity's 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 and each major fund of St. Vrain Community Montessori School as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 26-29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

October 31, 2017

St. Vrain Community Montessori School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2017

As management of St. Vrain Community Montessori School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2017, was the eighth year of operations for the School. As of June 30, 2017, the net position was a negative \$2,878,485 due to the implementation of GASB 68. The General Fund ending fund balance increased from \$727,249 to \$809,869. This was an increase of \$82,620 or 11%. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). State categorical revenue for the year was \$1,405,706.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

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

The statement of net position presents information on all the School's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the assets/deferred outflows and liabilities/deferred inflows 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 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 the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The School reports two governmental funds, its General Fund, and Grants Fund. The School adopts annual budgets for its funds. Budgetary comparisons have been provided for each governmental fund in the basic financial statements to demonstrate compliance with these budgets.

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements are shown on pages 6 through 25.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial condition. As of June 30, 2017, the School's liabilities exceeded assets by \$2,878,485. \$66,000 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The negative net position balance of \$2,878,85 increased from the prior fiscal year by \$1,244,401, principally because the School recognized pension expense of \$1,308,208.

Net position as of June 30, 2017:

| | 2017 |
|--------------------------------------|-----------------------|
| Assets | |
| Cash and Investments | \$ 924,034 |
| Receivables and Other Current Assets | 2,505 |
| Capital Assets, Net | 60,669 |
| Deposits | 13,841 |
| Prepaid Expenses | <u>29,681</u> |
| Total Assets | <u>1,030,730</u> |
| Deferred Outflows, Pensions | 3,121,057 |
| Liabilities | |
| Accounts Payable | 22,849 |
| Accrued Expenses | 8,836 |
| Unearned Revenue | 128,507 |
| Net Pension Liability | <u>6,839,187</u> |
| Total Liabilities | <u>6,999,379</u> |
| Deferred Inflows, Pensions | 30,901 |
| Net Position | |
| Net Investment in Capital Assets | 53,419 |
| Restricted for Emergencies | 66,000 |
| Unrestricted | <u>(2,997,904)</u> |
| Total Net Position | <u>\$ (2,878,485)</u> |

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

Change in net position for the year ended June 30, 2017:

| | 2017 |
|------------------------------------|----------------|
| Revenues | |
| Program Revenues | |
| Charges for Services | \$ 325,839 |
| Operating Grants and Contributions | 210,387 |
| Capital Grants and Contributions | 53,782 |
| Total Program Revenues | 590,008 |
| General Revenues | |
| State Categorical Revenue | 1,405,706 |
| Mill Levy Override | 159,222 |
| Earnings on Investments | 2,286 |
| Other | 113,741 |
| Total General Revenues | 1,680,955 |
| Total Revenues | 2,270,953 |
| Expenditures/Expenses | |
| Current | |
| Instruction | 2,237,928 |
| Supporting Services | 1,277,426 |
| Other Operating Expenditures | - |
| Total Expenses | 3,515,354 |
| Decrease in Net Position | (1,244,401) |
| Net Position, Beginning of Year | (1,634,084) |
| Net Position, End of Year | \$ (2,878,485) |

Financial Analysis of the School's Funds

The School reports two governmental funds, the General Fund, and Grants Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with a positive fund balance of \$727,249. As a result of operating within its budget, fund balance in the General Fund increased to \$809,869 at year-end. Eighty six percent of fund balance is unassigned. The Grants Fund ended the year with no fund balance as it began the year.

St. Vrain Community Montessori School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2017

General Fund and Grants Fund Budgetary Highlights

The School's consolidated General Fund budget had expenditures of \$2,592,712 for the year ended June 30, 2017. Actual expenditures were \$2,115,797. The Grants Fund had budgetary expenditures of \$80,000 with actual expenditures of \$72,536.

A budget amendment was passed during the year to address activity related to labor and supplies.

Capital Assets and Debt Administration

The School leases its school facility and land under operating leases with a third party that expire in 2019. Please refer to Note 7, page 24 for details on all leases. Total rent expense for the year was \$168,533.

The School had no outstanding debt at June 30, 2017.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) was 72, 99, 116.3, 139, 158, 178.3, 189.6 and 193.7 for FY10, FY11, FY12, FY13, FY14, FY15, FY16 and FY17 respectively. The FPC projected for the FY18 school year is expected to be 225.3. This factor was considered in preparing the School's budget for FY18. There are currently plans to increase the number of classrooms and grades in the future. State funding increased moderately the last few years and continues (3.2%, 5.6%, 3.8%, 1.7% and 3.29%) for FY14, FY15, FY16, FY17 and FY18 respectively). The increases are primarily attributed to the improvement in Colorado's economy and the legislature's desire to reduce the negative factor impacting school finance.

Requests for Information

The financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information should be addressed to St. Vrain Community Montessori School, 1055 Delaware Ave., Longmont, Colorado 80501.

BASIC FINANCIAL STATEMENTS

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF NET POSITION
Year Ended June 30, 2017

| | Governmental Activities | |
|--|-------------------------|-----------------------|
| | 2017 | 2016 |
| ASSETS | | |
| Cash and Investments | \$ 924,034 | \$ 804,402 |
| Accounts Receivable | 2,505 | 6,188 |
| Prepaid Expenses | 29,681 | 36,510 |
| Deposits | 13,841 | 13,841 |
| Capital Assets, not depreciated | 7,250 | 6,175 |
| Capital Assets, Depreciated, net of accumulated depreciation | 53,419 | 73,307 |
| | <u>1,030,730</u> | <u>940,423</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Pensions | 3,121,057 | 820,476 |
| | <u>3,121,057</u> | <u>820,476</u> |
| LIABILITIES | | |
| Accounts Payable | 22,849 | 22,139 |
| Accrued Expenses | 8,836 | 7,488 |
| Unearned Revenues | 128,507 | 104,065 |
| Noncurrent Liabilities | | |
| Net Pension Liability | 6,839,179 | 3,215,713 |
| | <u>6,839,179</u> | <u>3,215,713</u> |
| TOTAL LIABILITIES | <u>6,999,371</u> | <u>3,349,405</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pensions | 30,901 | 45,578 |
| | <u>30,901</u> | <u>45,578</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 53,419 | 73,307 |
| Restricted for Emergencies | 66,000 | 61,000 |
| Unrestricted | (2,997,904) | (1,768,391) |
| | <u>(2,997,904)</u> | <u>(1,768,391)</u> |
| TOTAL NET POSITION | <u>\$ (2,878,485)</u> | <u>\$ (1,634,084)</u> |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

| FUNCTIONS/PROGRAMS | PROGRAM REVENUES | | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION | |
|--------------------------------------|-------------------------|-------------------------|--|--|---|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| | | | | | 2017 | 2016 |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental Activities | | | | | | |
| Instructional | \$ 2,237,928 | \$ - | \$ 18,754 | \$ - | \$ (2,219,174) | \$ (1,357,951) |
| Supporting Services | 1,277,426 | 325,839 | 191,633 | 53,782 | (706,172) | (328,860) |
| Total Governmental Activities | <u>\$ 3,515,354</u> | <u>\$ 325,839</u> | <u>\$ 210,387</u> | <u>\$ 53,782</u> | (2,925,346) | (1,686,811) |
| | | | GENERAL REVENUES | | | |
| | | | | | 1,405,706 | 1,354,364 |
| | | | | | 159,222 | 155,043 |
| | | | | | 2,286 | 420 |
| | | | | | 108,731 | 4,208 |
| | | | SPECIAL ITEM | | | |
| | | | | | 5,000 | - |
| | | | | | <u>1,680,945</u> | <u>1,514,035</u> |
| | | | | | | |
| | | | | | CHANGE IN NET POSITION | (1,244,401) (172,776) |
| | | | | | NET POSITION, Beginning | (1,634,084) (1,461,308) |
| | | | | | NET POSITION, Ending | <u>\$ (2,878,485)</u> <u>\$ (1,634,084)</u> |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

BALANCE SHEET
Year Ended June 30, 2017

| | GENERAL | GRANTS | TOTAL | |
|---|-------------------|-------------|-----------------------|-----------------------|
| | FUND | FUND | 2017 | 2016 |
| ASSETS | | | | |
| Cash and Investments | \$ 924,034 | \$ - | \$ 924,034 | \$ 804,402 |
| Accounts Receivable | 2,505 | - | 2,505 | 6,188 |
| Prepaid Expenses | 29,681 | - | 29,681 | 36,510 |
| Deposits | 13,841 | - | 13,841 | 13,841 |
| TOTAL ASSETS | <u>\$ 970,061</u> | <u>\$ -</u> | <u>\$ 970,061</u> | <u>\$ 860,941</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 22,849 | \$ - | \$ 22,849 | \$ 22,139 |
| Accrued Salaries | 8,836 | - | 8,836 | 7,488 |
| Unearned Revenues | 128,507 | - | 128,507 | 104,065 |
| TOTAL LIABILITIES | <u>160,192</u> | <u>-</u> | <u>160,192</u> | <u>133,692</u> |
| FUND BALANCES | | | | |
| Restricted for Emergencies | 66,000 | - | 66,000 | 61,000 |
| Nonspendable | 43,522 | - | 43,522 | 50,351 |
| Unassigned | 700,347 | - | 700,347 | 615,898 |
| TOTAL FUND BALANCES | <u>809,869</u> | <u>-</u> | <u>809,869</u> | <u>727,249</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 970,061</u> | <u>\$ -</u> | | |
| Amounts reported for governmental activities in the statement of net position are different because: | | | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | | | 60,669 | 79,482 |
| Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$6,839,179), deferred outflows related to pensions of \$3,121,057, and deferred inflows related to pensions of (\$30,901). | | | (3,749,023) | (2,440,815) |
| Net position of governmental activities | | | <u>\$ (2,878,485)</u> | <u>\$ (1,634,084)</u> |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended June 30, 2017

| | GENERAL | GRANTS | TOTAL | |
|---|-------------------|---------------|-------------------|-------------------|
| | FUND | FUND | 2017 | 2016 |
| REVENUES | | | | |
| Local Sources | \$ 2,193,417 | \$ 569 | \$ 2,193,986 | \$ 2,038,264 |
| State and Federal Sources | - | 71,967 | 71,967 | 60,622 |
| TOTAL REVENUES | <u>2,193,417</u> | <u>72,536</u> | <u>2,265,953</u> | <u>2,098,886</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 1,246,843 | 23,526 | 1,270,369 | 1,151,490 |
| Supporting Services | 868,954 | 49,010 | 917,964 | 767,487 |
| TOTAL EXPENDITURES | <u>2,115,797</u> | <u>72,536</u> | <u>2,188,333</u> | <u>1,918,977</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>77,620</u> | <u>-</u> | <u>77,620</u> | <u>179,909</u> |
| OTHER FINANCING SOURCES | | | | |
| Capital Contribution from District | 5,000 | - | 5,000 | - |
| NET INCOME (LOSS) | 82,620 | - | 82,620 | 179,909 |
| FUND BALANCES, Beginning | <u>727,249</u> | <u>-</u> | <u>727,249</u> | <u>547,340</u> |
| FUND BALANCES, Ending | <u>\$ 809,869</u> | <u>\$ -</u> | <u>\$ 809,869</u> | <u>\$ 727,249</u> |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ 82,620 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$26,063), exceeded exceeded capital outlay \$7,250, for the year. | (18,813) |
| Deferred Charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized. | <u>(1,308,208)</u> |
| Change in net position of governmental activities | <u>\$ (1,244,401)</u> |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

St. Vrain Community Montessori School (the “School”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school within the St. Vrain Valley 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 units. Following is a summary of the more significant policies.

Reporting Entity

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

Based upon the application of these criteria, there are no organizations that should be included in the School’s reporting entity.

The School is a component unit of the St. Vrain Valley School District (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 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, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when 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. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The School reports the following major governmental funds:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Grants Fund – This fund is used to account for grant revenues and related expenditures.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: leasehold remaining life of lease.

Unearned Revenues – Unearned revenues include tuition payments that have been collected for the following school year.

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

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While management may have categorized and segmented portion for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. At June 30, 2017, the School reports nonspendable fund balance in the form of prepaid expenses and deposits.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2017.
- 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2017 consisted of the following:

| | |
|--------------|-------------------|
| Cash on Hand | \$ 700 |
| Deposits | 511,459 |
| Investments | <u>411,875</u> |
| Total | <u>\$ 924,034</u> |

Deposits

Custodial Credit Risk – Deposits

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

At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

At June 30, 2017, the School had deposits with financial institutions with a carrying amount of \$511,459. The bank balances with the financial institutions were \$543,791. Of these balances, \$250,000 was covered by federal depository insurance and \$293,791 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

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

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

At June 30, 2017, The School had invested \$411,875 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2017, is summarized below.

| | Balance <u>June 30, 2016</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2017</u> |
|--|---------------------------------|--------------------|------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital Assets, not depreciated | | | | |
| Construction in Progress | \$ 6,175 | \$ 7,250 | \$ 6,175 | \$ 7,250 |
| Capital Assets, Being Depreciated | | | | |
| Leasehold Improvements | 581,995 | 6,175 | - | 588,170 |
| Accumulated Depreciation | | | | |
| Leasehold Improvements | 508,688 | 26,063 | - | 534,751 |
| Total Capital Assets, Depreciated, Net | 73,307 | (19,888) | - | 53,419 |
| Net Capital Assets | <u>\$ 79,482</u> | <u>\$ (12,638)</u> | <u>\$ 6,175</u> | <u>\$ 60,669</u> |

Depreciation expense is charged to the supporting services program of the School.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from July to June, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were \$8,836. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position 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.

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

Benefits provided. 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 percent and then multiplied by years of service credit

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent 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.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula 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. Eligible employees and School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | For the Year Ended December 31, 2016 | For the Year Ended December 31, 2017 |
|---|--|--|
| Employer contribution rate ¹ | 10.15% | 10.15% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹ | (1.02) % | (1.02) % |
| Amount apportioned to the SCHDTF ¹ | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹ | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹ | 4.50% | 5.00% |
| Total employer contribution rate to the SCHDTF¹ | 18.13% | 18.63% |

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were \$214,931 for the year ended June 30, 2017.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the School reported a liability of \$6,839,179 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School's proportion was 0.02297%, which was an increase of 0.00194% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$1,523,167. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience | \$85,500 | \$60 |
| Changes of assumptions or other inputs | \$2,219,173 | \$30,841 |
| Net difference between projected and actual earnings on pension plan investments | \$228,688 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$476,726 | - |
| Contributions subsequent to the measurement date | \$110,970 | N/A |
| Total | \$3,121,057 | \$30,901 |

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

\$110,970 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, 2018.

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,: | |
|-----------------------------|-------------|
| 2018 | \$1,238,783 |
| 2019 | \$1,122,191 |
| 2020 | \$555,966 |
| 2021 | \$61,653 |
| 2022 | \$593 |

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.80 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.90 percent |
| Salary increases, including wage inflation | 3.90 – 10.10 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.50 percent |
| Discount rate | 7.50 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 – 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 5.26 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, 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 reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|--------------------------|---|
| 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 | 100.00% | |

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- 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 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the School proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

| | 1% Decrease (4.26%) | Current Discount Rate (5.26%) | 1% Increase (6.26%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$8,600,057 | \$6,839,187 | \$5,405,021 |

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the School contributions to the HCTF were \$11,298, \$9,875 and \$8,742, respectively, equal to their required contributions for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Operating Lease

The School renewed its operating lease for their building. Monthly lease payments ranging from \$3,358 to \$3,462 are due through July 31, 2015. The School also has extended an existing lease for land for outdoor space and additional modular space near their building. The monthly payments for this lease ranged from \$1,200 to \$2,000 a month and were due through June 30, 2015. The School also entered a lease on July 1, 2013 for additional building space in the with monthly lease payments ranging from \$2,039 to \$2,207 which were due through June 30, 2015.

In April of 2015 the School executed new leases for their buildings which extended all of the above leases through July 31, 2019 with payments ranging from \$1,500 to \$4,909 per month.

Total rent expense for the year ended June 30, 2017 for these leases was \$168,533.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2017, the reserve of \$66,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 8: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$2,878,485 due to the School including the Net Pension Liability per GASB No. 68.

NOTE 9: CAPITAL CONTRIBUTION FROM THE DISTRICT

During the year ended June 30, 2017, the District agreed to allocate a portion of its 2016 Bond Proceeds to pay for various capital improvements and upgrades to the Academy's facility. As of June 30, 2017 improvements in the amount of \$5,000 were paid for by the District. This amount has been reported as a Capital Contribution from the District in the Statement of Revenues, Expenditures and Changes in Fund Balance, with an offset to Repair and Maintenance Expense.

REQUIRED SUPPLEMENTARY INFORMATION

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GENERAL FUND
Year Ended June 30, 2017

| | 2017 | | | VARIANCE | 2016 ACTUAL |
|---|--------------------|------------------|------------------|------------------------|------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | Positive (Negative) | |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Per pupil revenue | \$ 1,446,437 | \$ 1,405,201 | \$ 1,405,706 | \$ 505 | \$ 1,354,364 |
| Mill Levy | 132,364 | 132,364 | 159,222 | 26,858 | 155,043 |
| Tuition and Fees | 309,325 | 320,550 | 325,839 | 5,289 | 323,318 |
| Grants and Contributions | 151,525 | 151,525 | 191,633 | 40,108 | 195,310 |
| Interest | 410 | 410 | 2,286 | 1,876 | 420 |
| Other | 106,896 | 106,896 | 108,731 | 1,835 | 4,208 |
| TOTAL REVENUES | 2,146,957 | 2,116,946 | 2,193,417 | 76,471 | 2,032,663 |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries | 857,261 | 873,963 | 861,964 | 11,999 | 744,717 |
| Employee Benefits | 279,906 | 283,780 | 246,925 | 36,855 | 227,837 |
| Purchased Services | 5,000 | 10,000 | 9,984 | 16 | 7,133 |
| Supplies and Materials | 81,450 | 86,550 | 95,621 | (9,071) | 103,351 |
| Property | 18,000 | 29,500 | 32,349 | (2,849) | 48,853 |
| Other | - | - | - | - | 2,386 |
| TOTAL INSTRUCTION | 1,241,617 | 1,283,793 | 1,246,843 | 36,950 | 1,134,277 |
| Supporting Services | | | | | |
| Salaries | 260,444 | 260,444 | 303,488 | (43,044) | 282,729 |
| Employee Benefits | 96,675 | 96,675 | 91,777 | 4,898 | 87,302 |
| Purchased Services | 281,734 | 295,620 | 292,207 | 3,413 | 290,584 |
| Supplies and Materials | 50,675 | 54,400 | 57,463 | (3,063) | 55,885 |
| Property | 14,500 | 14,500 | 12,453 | 2,047 | - |
| Other | 201,312 | 587,280 | 111,566 | 475,714 | 1,977 |
| TOTAL SUPPORTING SERVICES | 905,340 | 1,308,919 | 868,954 | 439,965 | 718,477 |
| TOTAL EXPENDITURES | 2,146,957 | 2,592,712 | 2,115,797 | 476,915 | 1,852,754 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | (475,766) | 77,620 | 553,386 | (718,477) |
| OTHER FINANCING SOURCES | | | | | |
| Capital Contribution from District | - | - | 5,000 | 5,000 | - |
| NET CHANGE IN FUND BALANCE | - | (475,766) | 82,620 | 558,386 | 179,909 |
| FUND BALANCE, Beginning | 551,194 | 727,249 | 727,249 | - | 547,340 |
| FUND BALANCE, Ending | \$ 551,194 | \$ 251,483 | \$ 809,869 | \$ 558,386 | \$ 727,249 |

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GRANTS FUND
Year Ended June 30, 2017

| | 2017 | | | VARIANCE | 2016 |
|----------------------------|--------------------|-----------------|--------|------------------------|----------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | Positive (Negative) | |
| REVENUES | | | | | |
| Local Sources | \$ 4,700 | \$ 4,700 | \$ 569 | \$ (4,131) | \$ 5,601 |
| State and Federal Sources | 60,405 | 75,300 | 71,967 | (3,333) | 60,622 |
| TOTAL REVENUES | 65,105 | 80,000 | 72,536 | (7,464) | 66,223 |
| EXPENDITURES | | | | | |
| Salaries | 15,097 | 13,897 | 12,867 | 1,030 | 15,089 |
| Employee Benefits | 1,000 | 1,000 | 2,055 | (1,055) | 926 |
| Purchased Services | 49,008 | 55,200 | 53,782 | 1,418 | 49,010 |
| Supplies and Materials | - | 9,903 | 3,832 | 6,071 | 1,198 |
| TOTAL EXPENDITURES | 65,105 | 80,000 | 72,536 | 7,464 | 66,223 |
| NET CHANGE IN FUND BALANCE | - | - | - | - | - |
| FUND BALANCE, Beginning | - | - | - | - | - |
| FUND BALANCE, Ending | \$ - | \$ - | \$ - | \$ - | \$ - |

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

Years Ended December 31,

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|---|--------------|--------------|--------------|--------------|
| School's proportionate share of the Net Pension Liability | 0.017% | 0.018% | 0.021% | 0.230% |
| School's proportionate share of the Net Pension Liability | \$ 2,172,426 | \$ 2,504,017 | \$ 3,215,713 | \$ 3,513,166 |
| School's covered-employee payroll | \$ 689,659 | \$ 773,972 | \$ 916,386 | \$ 1,107,608 |
| School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll | 315.0% | 323.5% | 350.9% | 317.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.1% | 62.8% | 59.2% | 43.1% |

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|----------------|----------------|----------------|----------------|
| Statutorily required contributions | \$ 118,453 | \$ 153,475 | \$ 181,554 | \$ 214,931 |
| Contributions in relation to the Statutorily required contributions | <u>118,453</u> | <u>153,475</u> | <u>181,554</u> | <u>214,931</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered-employee payroll | \$ 696,520 | \$ 857,010 | \$ 968,117 | \$ 1,107,608 |
| Contributions as a percentage of covered-employee payroll | 17.01% | 17.91% | 18.75% | 19.40% |

See the accompanying independent auditors' report.