



Mountain Village Montessori Charter School

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

September 27, 2017

Board of Directors
Mountain Village Montessori Charter School
Steamboat Springs, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain Village Montessori Charter School as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Mountain Village Montessori Charter School's basic financial statements 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 Mountain Village Montessori Charter School'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 Mountain Village Montessori Charter School'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.



Board of Directors
Mountain Village Montessori Charter School
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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 the Mountain Village Montessori Charter School as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, schedule of activity - net pension liability, and schedule of activity - employer pension contributions 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.

Chadwick, Steinkirchner, Davis & Co., P.C.

Mountain Village Montessori Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Mountain Village Montessori Charter School (MVMCS or the School), we offer readers of Mountain Village Montessori Charter School's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2017 is the first full year of operations for MVMCS. As of June 30, 2017, net position for governmental activities decreased by \$(1,442,419) to \$(1,417,922). Mountain Village Montessori Charter School's governmental fund reported an ending fund balance of \$27,546, a decrease of \$(86,951) from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$652,664.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, 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 School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how 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, revenues 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).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's

authorizer (Colorado Charter School Institute). The governmental activities of MVMCS include instruction and supporting services.

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 keeps track of these monies 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, as well as on balances of spendable resources available at the end of the fiscal year.

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 School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison statement is included to demonstrate that spending did not exceed the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2017, MVMCS's combined net position was \$(1,417,922). This position includes a net pension liability in the amount of \$4,747,737, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, \$34,740 is invested in capital assets net of related debt, and \$30,618 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Mountain Village Montessori Charter School's Net Position

	2016-2017
ASSETS	
Cash	\$ 230,539
Accounts Receivable	79,413
Grants Receivable	10,155
Prepaid Expenses	3,502
Lease Deposit	8,798
Capital Assets, Net of Accumulated Depreciation	<u>34,740</u>
TOTAL ASSETS	<u>367,147</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>3,412,981</u>
LIABILITIES	
Accounts Payable	27,735
Accrued Payroll Liabilities	242,126
Unearned Revenue	35,000
Noncurrent Liabilities	
Due within One Year	124,000
Net Pension Liability	<u>4,747,737</u>
TOTAL LIABILITIES	<u>5,176,598</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>21,452</u>
NET POSITION	
Net Investment in Capital Assets	34,740
Restricted for Emergencies	30,618
Unrestricted	<u>(1,483,280)</u>
TOTAL NET POSITION	<u><u>\$ (1,417,922)</u></u>

Mountain Village Montessori Charter School's Change in Net Position

	2016-2017
REVENUES	
Per Pupil Revenue	\$ 652,664
Charges for Services	327,829
Operating Grants and Contributions	500,806
Capital Grants and Contributions	<u>24,906</u>
TOTAL REVENUE	<u>1,506,205</u>
EXPENSES	
Instruction	2,155,115
Support Services	<u>793,509</u>
TOTAL EXPENSES	<u>2,948,624</u>
CHANGE IN NET POSITION	(1,442,419)
NET POSITION, Beginning	<u>24,497</u>
NET POSITION, Ending	<u>\$ (1,417,922)</u>

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$27,546, a decrease of \$(86,951) from prior year. This decrease is largely the result of one-time start-up expenses in the school's first year of operations.

General Fund Budgetary Highlights

MVMCS recognized \$26,184 less revenue than expected and spent \$8,951 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were increased to account for debt proceeds, debt service, and operating expenses. For more information regarding long-term debt see the following section.

Capital Assets & Long-Term Debt

The School has invested in capital assets for equipment in support of the School's educational program. More information regarding capital assets may be found in Note D to the financial statements. Depreciation expenses for capital assets are booked under the Supporting program of the School's operations.

The School has long-term debt in the form of an interest free note from the School's authorizer and an interest bearing note from the Orange Community Foundation. Proceeds of both notes provide cash flow during the start-up phase of the School. More information regarding long-term debt may be found in Note E to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Mountain Village Montessori Charter School is student enrollment. Enrollment for the 2016-2017 school year was 89.70 funded students. Enrollment projected for 2017-2018 is 133.80 funded students. This factor was considered when preparing MVMCS's budget for 2017-2018.

Requests for Information

This financial report is designed to provide a general overview of Mountain Village 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 the School:

Mountain Village Montessori Charter School
27285 Brandon Circle
Steamboat Springs, CO 80488

Mountain Village Montessori Charter School

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 230,539
Accounts receivable	79,413
Grants receivable	10,155
Prepaid expenses	3,502
Lease deposit	8,798
Capital assets, net of accumulated depreciation	34,740
Total assets	<u>367,147</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	3,412,981
Total deferred outflows of resources	<u>3,412,981</u>
Total assets and deferred outflows of resources	<u>\$ 3,780,128</u>
LIABILITIES	
Accounts payable	\$ 27,735
Accrued payroll liabilities	242,126
Unearned revenue	35,000
Current portion note payable	124,000
Total current liabilities	<u>428,861</u>
Long-term liabilities due more than one year:	
Net pension liability	4,747,737
Total liabilities	<u>5,176,598</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	21,452
Total deferred inflows of resources	<u>21,452</u>
NET POSITION	
Net investment in capital assets	34,740
Restricted for emergencies	30,618
Unrestricted	(1,483,280)
Total net position	<u>(1,417,922)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 3,780,128</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Governmental Activities
Governmental activities:					
Instructional services	\$ 2,155,115	\$ 307,878	\$ 500,806	\$ -	\$ (1,346,431)
Support services	793,509	19,950	-	24,906	\$ (748,653)
Total governmental activities	<u>\$ 2,948,624</u>	<u>\$ 327,829</u>	<u>\$ 500,806</u>	<u>\$ 24,906</u>	<u>(2,095,083)</u>
General revenues:					
					652,664
					<u>652,664</u>
					(1,442,419)
					24,497
					<u>\$ (1,417,922)</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2017

		<u>General Fund</u>
ASSETS		
Cash		\$ 230,539
Grants receivable		79,413
Accounts receivable		10,155
Prepaid expenses		3,502
Lease deposit		8,798
	Total assets	<u>\$ 332,407</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable		\$ 27,735
Accrued payroll liabilities		242,126
Unearned revenue		35,000
	Total liabilities	<u>304,861</u>
Fund balances		
Nonspendable		12,300
Restricted - TABOR reserve		30,618
Unassigned		(15,372)
	Total fund balances	<u>27,546</u>
	Total liabilities and fund balances	<u>\$ 332,407</u>
 Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (as reported above)		\$ 27,546
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		34,740
Long-term liabilities and related items, including notes payable (\$124,000), net pension liability (\$4,747,737), pension-related deferred outflows of resources \$3,412,981, and pension-related deferred inflows of resources (\$21,452), are not due and payable in the current year and, therefore, are not reported in the funds.		<u>(1,480,208)</u>
Net position of governmental activities		<u>\$ (1,417,922)</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - GOVERNMENTAL FUND

Year ended June 30, 2017

	<u>General Fund</u>
Revenues	
Local sources	\$ 566,103
State sources	692,780
Federal sources	<u>247,322</u>
	Total revenues 1,506,205
Expenditures	
Current	
Instructional services	998,283
Supporting services	591,034
Capital outlay	37,839
Debt service principal	<u>90,000</u>
	Total expenditures <u>1,717,156</u>
	Revenues in excess (deficiency) of expenditures (210,951)
Other financing sources	
Debt proceeds	<u>124,000</u>
	Excess of revenues and other financing sources over (under) expenditures (86,951)
Fund balance beginning of year	<u>114,497</u>
Fund balance end of year	<u><u>\$ 27,546</u></u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE 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 balance - total governmental fund \$ (86,951)

In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the statement of activities, they are measured on the full accrual basis. This is the amount of the increase in deferred outflows of resources plus the increase in net pension liability and deferred inflows of resources during the year (\$3,412,981-\$4,747,737-\$21,452). (1,356,208)

In the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental funds, capital outlays are an expenditure in the current period. This is the amount by which capitalized capital outlay expenditures exceeded depreciation in the current year (\$37,839-\$3,099). 34,740

In the governmental funds, issuance for the notes payable are measured as other financing sources, whereas on the government-wide financial statements they represent a liability. This is the amount of other financing resources recognized as issuance of notes payable. (124,000)

In the governmental funds, payments on the notes payable are measured by the amount of financial resources used, whereas in the statement of activities they are measured as the liability is reduced according to the note payables schedule. This is the amount the School paid toward the notes payable in the current year. 90,000

Change in net position of governmental activities \$ (1,442,419)

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL

Year ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 432,375	\$ 582,375	\$ 566,103	\$ (16,272)
State sources	703,808	703,808	692,780	(11,028)
Federal sources	246,206	246,206	247,322	1,116
Total revenues	1,382,389	1,532,389	1,506,205	(26,184)
Expenditures				
Instructional	937,895	1,027,895	998,283	29,612
Supporting services	500,085	558,212	591,034	(32,822)
Capital outlay	-	50,000	37,839	12,161
Debt service				
Principal	-	90,000	90,000	-
Total expenditures	1,437,980	1,726,107	1,717,156	8,951
Revenues in excess (deficiency) of expenditures	(55,591)	(193,718)	(210,951)	(17,233)
Other financing sources				
Debt proceeds	64,000	124,000	124,000	-
Excess of revenues and other financing sources over (under) expenditures	8,409	(69,718)	(86,951)	17,233
Fund balance beginning of year	35,850	35,850	114,497	78,647
Fund balance end of year	\$ 44,259	\$ (33,868)	\$ 27,546	\$ 61,414

The accompanying notes are an integral part of the statements.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Mountain Village Montessori Charter School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school in Steamboat Springs, Colorado. The School entered into a contract with the Colorado Charter School Institute (the “Institute”) to authorize the School for an initial term of three years, through June 30, 2019. The School began operations in the fall of 2016. The accounting policies of the School conform to generally accepted accounting principles as applicable to the governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the School’s significant accounting policies:

1. The Reporting Entity

Mountain Village Montessori Charter School consists of a School established under the Charter Schools Act serving K-5 grade students. It is governed by an independently elected Board of Directors. The School does not include additional organizations within its reporting entity.

2. 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. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Mountain Village Montessori Charter School presently has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items not properly included among program revenues are reported instead as general revenues.

3. 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenue, 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. When both restricted and unrestricted resources are available for use, it is the School's intent to use restricted resources first and the unrestricted resources as they are needed. There is no formal policy.

The School reports the following major governmental fund:

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

4. Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the School are reported at fair value.

State statutes authorize the School to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

Receivables - The School considers all receivables to be fully realizable and maintains an allowance for doubtful accounts of \$0.

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Lease Deposit - Lease deposits relate to deposits the School has on a piece of property potentially held as a future building site.

Capital Assets - Capital assets, which include equipment, are reported 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. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Equipment	3 years
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Payroll Liabilities - Salaries and retirement benefit contributions of employed personnel that are earned during a School year but not paid by year's end 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, fees, and grants received before the eligibility requirements established by the provider have been met.

5. Stewardship, compliance and accountability

Budgetary Information - Prior to May 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes expenditures and the means of financing them. Public board meetings are conducted to obtain comments. Prior to June 30, the budget is adopted by the Board.

During the budget year, the Board of Directors has the option of changing and finalizing the budget for the fiscal year. Two supplemental budget amendments were adopted during the fiscal year ended June 30, 2017.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgeted level of expenditures - Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

Budgetary basis of accounting - Appropriated budgets are adopted by the Board of Directors for the General Fund on a basis consistent with generally accepted accounting principles (GAAP).

6. Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files its informational return, Internal Revenue Service form 990, for the federal jurisdiction on an annual basis.

7. 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.

NOTE B – CASH AND INVESTMENTS

The carrying value of cash deposits in banking institutions as of June 30, 2017 is as follows:

Demand accounts	<u>\$ 203,747</u>
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Deposits - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government including component units deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 102% of the aggregate uninsured deposits. As of June 30, 2017, the School had deposits of \$216,758, of which all was covered by federal depository insurance.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE B – CASH AND INVESTMENTS – CONTINUED

Interest rate risk – The School does not have a formal policy limiting investment maturities, other than that established by state statute of five years that would help manage its exposure to fair value losses from increasing interest rates.

Credit Risk – State statute limit most investments to those with certain 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, except for corporate securities.

The School had no investments at June 30, 2017

NOTE C – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a School's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the School's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE C – FUND BALANCES – CONTINUED

- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The School will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is School intent to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned. There is no formal policy.

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, if any, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE D – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Equipment	\$ —	\$ 37,839	\$ —	\$ 37,839
Total capital assets, being depreciated	—	37,839	—	37,839
Less accumulated depreciation:				
Equipment	—	(3,099)	—	(3,099)
Total accumulated depreciation	—	(3,099)	—	(3,099)
Total capital assets, being depreciated, net	—	34,740	—	34,740
Total capital assets	<u>\$ —</u>	<u>\$ 34,740</u>	<u>\$ —</u>	<u>\$ 34,740</u>

Depreciation expense was charged for functions/programs of the School as follows:

Governmental activities:	
Support services	\$ 3,099
Total depreciation expense	<u>\$ 3,099</u>

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE E – LONG-TERM DEBT

The School’s long-term debt consists of the following:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due in one year
Notes payable	\$ 90,000	\$ 124,000	\$ 90,000	\$ 124,000	\$ 124,000
Net pension liability	-	4,747,737	-	4,747,737	-
	\$ 90,000	\$ 4,871,737	\$ 90,000	\$ 4,871,737	\$ 124,000

The School has an interest-free note that is payable to the Institute with a principal balance outstanding of \$64,000 at June 30, 2017. The amount is payable over one year starting July 1, 2017. The School also has a seven-month note with a balance of \$60,000 that is due in full plus interest of 2.5% per annum to Orange County Community Foundation on November 1, 2017.

NOTE F – OPERATING LEASE

The School entered into a three-year operating lease in October 2015 for use of land and a building. In June 2017 the lease was amended. The lease requires minimum monthly payments of \$13,977 beginning in July 2017, with payments increasing to \$14,997 in the second year, and to \$ 15,930 in the year ending June 2019. In addition to the monthly rent a common area expense management charge of at least \$2,541, which is based off of the proportionate share of the School’s operating costs. This amount was calculated on the square footage of the building that was occupied by the School. There is an additional fee for the use of the playground of \$417 a month. Total lease expense during fiscal year 2017 was \$199,824.

Future estimated minimum lease payments under the operating lease for the years following June 30, 2017 are as follows:

Year	
2018	\$ 216,546
2019	228,546
2020	239,742
Total	\$ 684,834

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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%, 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 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF.

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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Calendar Year Ended December 31, 2016	For the Calendar 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 SCHDTF ¹	18.13%	18.63%

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$119,027 for the year ended June 30, 2017.

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 \$4,747,737 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 proportion of the net pension liability was based on the School's required contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF for five-twelfths of 2016.

At December 31, 2016, the School proportion was .01595%, which was an increase of .01595 from its proportion measured as of December 31, 2015 because this was the first year of the School's operations.

For the year ended June 30, 2017, the School recognized pension expense of \$1,475,235. At June 30, 2017, the District 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	\$ 59,354	\$ 42
Changes of assumptions or other inputs	1,540,542	21,410
Net difference between projected and actual earnings on pension plan investments	158,754	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,590,067	-
Contributions subsequent to the measurement date	<u>64,264</u>	<u>-</u>
Total	<u>\$ 3,412,981</u>	<u>\$ 21,452</u>

\$64,264 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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, 2017:	
2018	1,339,017
2019	1,339,368
2020	647,297
2021	1,583
Thereafter	–

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

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 were 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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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. 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

- **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.

The long-term expected rate of return on pension 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – 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%. 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.
- 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%.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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.

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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26% as of the measurement date, 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%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$5,970,127	\$4,747,737	\$3,752,145

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.

NOTE H – 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE H – OTHER POST-EMPLOYMENT BENEFITS – HEALTH CARE TRUST FUND – CONTINUED

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 year ended June 30, 2017, the School contribution to the HCTF was \$6,598, equal to its required contribution for the year.

NOTE I – RISK MANAGEMENT

The School insures against loss or damage to property; pays premiums on loss insurances; and pays judgments, administrative and legal claims. This activity occurs in the General Fund.

The School is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. The School uses workers compensation and other liability insurance to help mitigate these risks. During the year ended June 30, 2017, the School paid \$19,383 in related insurance premiums to insurers.

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the Amendment. However, the School has made certain interpretations of the Amendment's language in order to determine its compliance.

NOTE K – COMMITMENTS AND CONTIGENCIES

Claim 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 any of the individual governmental funds or the overall financial position of the School.

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2017

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u> December 31, 2016	0.01595%	\$ 4,747,737	\$ 298,203	1592%	43%

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2017

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2017	\$ 119,027	\$ -	\$ 119,027	\$ 646,905	18%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.