

**ST. VRAIN COMMUNITY MONTESSORI SCHOOL**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2018**

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**Office of the State Auditor**

**November 15, 2018**

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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, 2018, 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, 2018, 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, schedules of the school's proportionate share, and schedules of the school's contributions on pages 38-43 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 15, 2018

# **St. Vrain Community Montessori School**

## **Management's Discussion and Analysis**

**As of and for the Year Ended June 30, 2018**

*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, 2018. 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, 2018, was the ninth year of operations for the School. As of June 30, 2018, the net position was a negative \$4,625,911 due primarily to the implementation of GASB 68. The General Fund ending fund balance increased from \$809,869 to \$914,483. This was an increase of \$104,614 or 12.92%. 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 \$1,638,433.

### **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).

**St. Vrain Community Montessori School**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

***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.

***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 37.

**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, 2018, the School's liabilities exceeded assets by \$4,625,911. \$73,000 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 \$4,625,911 increased from the prior fiscal year by \$1,747,426, principally because the School recognized additional pension expense of \$1,508,179.

Net position as of June 30, 2018:

	<b>2018</b>
Assets	
Cash and Investments	\$ 1,051,853
Receivables and Other Current Assets	3,411
Capital Assets, Net	54,719
Deposits	13,841
Prepaid Expenses	24,982
Total Assets	1,148,806
Deferred Outflows, Pensions	3,089,076
Liabilities	
Accounts Payable	25,132
Accrued Expenses	8,613
Unearned Revenue	145,859

**St. Vrain Community Montessori School**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

Net Pension/OPEB Liability	<u>8,347,358</u>
Total Liabilities	<u>8,526,962</u>
Deferred Inflows, Pensions/OPEB	336,831
Net Position	
Net Investment in Capital Assets	54,719
Restricted for Emergencies	73,000
Unrestricted	<u>(4,753,630)</u>
Total Net Position	<u>\$ (4,625,911)</u>

**St. Vrain Community Montessori School**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

Change in net position for the year ended June 30, 2018:

	<b>2018</b>
Revenues	
Program Revenues	
Charges for Services	\$ 380,631
Operating Grants and Contributions	222,285
Capital Grants and Contributions	57,956
Total Program Revenues	660,872
General Revenues	
State Categorical Revenue/PPR	1,638,433
Mill Levy Override	172,189
Earnings on Investments	7,943
Other	10,889
Total General Revenues	1,829,454
Total Revenues	2,490,326
Expenditures/Expenses	
Current	
Instruction	2,754,649
Supporting Services	1,319,575
Other Operating Expenditures	-
Total Expenses	4,074,224
Decrease in Net Position	(1,583,898)
Net Position, Beginning of Year	(3,042,013)
Net Position, End of Year	\$ (4,625,911)

**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 \$809,869. As a result of operating within its budget, fund balance in the General Fund increased to \$914,483 at year-end. Eighty eight 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, 2018**

**General Fund and Grants Fund Budgetary Highlights**

The School’s consolidated General Fund budget had expenditures of \$2,879,737 for the year ended June 30, 2018. Actual expenditures were \$2,312,862. The Grants Fund had budgetary expenditures of \$78,647 with actual expenditures of \$72,850.

No budget amendments were passed during the year for either the General Fund or the Grants Fund.

**Capital Assets and Debt Administration**

Net capital assets were \$54,719 at June 30, 2018. The School leases its school facility and land under operating leases with a third party that expire in 2019. Please refer to Note 8, page 36 for details on all leases. Total rent expense for the year was \$211,187.81.

The School had no outstanding debt at June 30, 2018.

**Economic Factors, Next Year’s Budget, Student Counts**

The primary factor driving the budget for the School is student enrollment. The following is a historical summary:

FY	FPC	PK	K-8	Total	% CHG.
FY10	72.00	22	87	109	
FY11	99.00	26	112	138	26.61%
FY12	116.30	21	131	152	10.14%
FY13	139.00	26	152	178	17.11%
FY14	158.00	22	174	196	10.11%
FY15	178.30	22	185	207	5.61%
FY16	189.60	25	206	231	11.59%
FY17	193.70	27	210	237	2.60%
FY18	218.70	37	233	270	13.92%

The FPC (Funded Pupil Count) projected for the FY19 is to remain flat or no change from FY18. This factor was considered in preparing the School’s budget for FY19. State funding or Per Pupil Revenue (PPR) increased moderately the last few years (3.2%, 5.6%, 3.8%, 1.7% and 3.29%) for FY14, FY15, FY16, FY17 and FY18 respectively). However, the current fiscal year (FY19) is benefiting from a 6.2% increase in PPR. The increases are primarily attributed to the improvement in Colorado’s economy and the legislature’s desire to reduce the budget stabilization factor impacting K-12 school finance.

**St. Vrain Community Montessori School**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2018**

**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, 2018

	Governmental Activities	
	2018	2017
<b>ASSETS</b>		
Cash and Investments	\$ 1,051,853	\$ 924,034
Accounts Receivable	3,411	2,505
Prepaid Expenses	24,982	29,681
Deposits	13,841	13,841
Capital Assets, not depreciated	-	7,250
Capital Assets, Depreciated, net of accumulated depreciation	54,719	53,419
	<u>1,148,806</u>	<u>1,030,730</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions	3,068,018	3,121,057
Related to OPEB	21,058	-
	<u>3,089,076</u>	<u>3,121,057</u>
<b>LIABILITIES</b>		
Accounts Payable	24,297	22,849
Due to District	835	-
Accrued Expenses	8,613	8,836
Unearned Revenues	145,859	128,507
Noncurrent Liabilities		
Net Pension Liability	8,160,991	6,839,179
Net OPEB Liability	186,367	-
	<u>8,526,962</u>	<u>6,999,371</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	333,713	30,901
Related to OPEB	3,118	-
	<u>336,831</u>	<u>30,901</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	54,719	53,419
Restricted for Emergencies	73,000	66,000
Unrestricted	(4,753,630)	(2,997,904)
	<u>\$ (4,625,911)</u>	<u>\$ (2,878,485)</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2018

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	
					2018	2017
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
Instructional	\$ 2,754,649	\$ -	\$ 14,894	\$ -	\$ (2,739,755)	\$ (2,219,174)
Supporting Services	1,319,575	380,631	207,391	60,956	(670,597)	(706,172)
 Total Governmental Activities	 <u>\$ 4,074,224</u>	 <u>\$ 380,631</u>	 <u>\$ 222,285</u>	 <u>\$ 60,956</u>	 (3,410,352)	 (2,925,346)
			GENERAL REVENUES			
					1,638,433	1,405,706
					172,189	159,222
					7,943	2,286
					7,889	108,731
			SPECIAL ITEM			
					-	5,000
					<u>1,826,454</u>	<u>1,680,945</u>
					(1,583,898)	(1,244,401)
					<u>(3,042,013)</u>	<u>(1,634,084)</u>
					<u>\$ (4,625,911)</u>	<u>\$ (2,878,485)</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

BALANCE SHEET  
Year Ended June 30, 2018

	GENERAL FUND	GRANTS FUND	TOTAL	
			2018	2017
<b>ASSETS</b>				
Cash and Investments	\$ 1,051,853	\$ -	\$ 1,051,853	\$ 924,034
Accounts Receivable	3,411	-	3,411	2,505
Prepaid Expenses	24,982	-	24,982	29,681
Deposits	13,841	-	13,841	13,841
<b>TOTAL ASSETS</b>	<u>\$ 1,094,087</u>	<u>\$ -</u>	<u>\$ 1,094,087</u>	<u>\$ 970,061</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 24,297	\$ -	\$ 24,297	\$ 22,849
Due to Distrit	835	-	835	-
Accrued Salaries	8,613	-	8,613	8,836
Unearned Revenues	145,859	-	145,859	128,507
<b>TOTAL LIABILITIES</b>	<u>179,604</u>	<u>-</u>	<u>179,604</u>	<u>160,192</u>
<b>FUND BALANCES</b>				
Nonspendable	38,823	-	38,823	43,522
Restricted for Emergencies	73,000	-	73,000	66,000
Unassigned	802,660	-	802,660	700,347
<b>TOTAL FUND BALANCES</b>	<u>914,483</u>	<u>-</u>	<u>914,483</u>	<u>809,869</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,094,087</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.

54,719 60,669

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 (\$8,160,991), net OPEB liability (\$186,367) deferred outflows related to pensions of \$3,068,018, deferred outflows related to OPEB of \$21,058, deferred inflows related to pensions of (\$333,713), and deferred inflows related to of OPEB (\$3,118).

(5,595,113) (3,749,023)

Net position of governmental activities

\$ (4,625,911) \$ (2,878,485)

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, 2018

	GENERAL FUND	GRANTS FUND	TOTAL	
			2018	2017
REVENUES				
Local Sources	\$ 2,414,476	\$ 213	\$ 2,414,689	\$ 2,193,986
State and Federal Sources	-	72,637	72,637	71,967
 TOTAL REVENUES	 2,414,476	 72,850	 2,487,326	 2,265,953
EXPENDITURES				
Current				
Instruction	1,457,994	14,894	1,472,888	1,270,369
Supporting Services	854,868	57,956	912,824	917,964
 TOTAL EXPENDITURES	 2,312,862	 72,850	 2,385,712	 2,188,333
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 101,614	 -	 101,614	 77,620
OTHER FINANCING SOURCES				
Capital Contribution from District	3,000	-	3,000	5,000
 NET INCOME (LOSS)	 104,614	 -	 104,614	 82,620
FUND BALANCES, Beginning	809,869	-	809,869	727,249
FUND BALANCES, Ending	\$ 914,483	\$ -	\$ 914,483	\$ 809,869

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, 2018

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

Net change in fund balances - total governmental funds	\$ 104,614
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 (\$43,632), exceeded exceeded capital outlay \$37,682, for the year.	(5,950)
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>(1,682,562)</u>
Change in net position of governmental activities	<u>\$ (1,583,898)</u>

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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, 2018

**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, 2018

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

**Deferred Outflows/Inflows of Resources**

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

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

**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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

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

*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:

- 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, 2018, 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

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

- 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, 2018.
- 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.

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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, 2018 consisted of the following:

Cash on Hand	\$ 700
Deposits	532,250
Investments	<u>518,903</u>
Total	<u><b>\$ 1,051,853</b></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, 2018, 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, 2018

**NOTE 3: CASH AND INVESTMENTS** (Continued)

At June 30, 2018, the School had deposits with financial institutions with a carrying amount of \$532,250. The bank balances with the financial institutions were \$556,773. Of these balances, \$250,000 was covered by federal depository insurance and \$306,773 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

Local Government Investment Pools

At June 30, 2018, The School had invested \$518,903 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 3: CASH AND INVESTMENTS** (Continued)

Local Government Investment Pools (Continued)

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.

**NOTE 4: CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2018, is summarized below.

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2018</u>
<b>Governmental Activities</b>				
Capital Assets, not depreciated				
Construction in Progress	\$ 7,250	\$ -	\$ 7,250	\$ -
Capital Assets, Being Depreciated				
Leasehold Improvements	588,170	44,932	-	633,102
Accumulated Depreciation				
Leasehold Improvements	534,751	43,632	-	578,383
Total Capital Assets, Depreciated, Net	53,419	1,300	-	54,719
Net Capital Assets	<u>\$ 60,669</u>	<u>\$ 1,300</u>	<u>\$ 7,250</u>	<u>\$ 54,719</u>

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

**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, 2018, were \$8,613. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*

**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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2017.* 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**General Information about the Pension Plan** (Continued)

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
- 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.

As of December 31, 2017, 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**General Information about the Pension Plan** (Continued)

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.

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 provisions as of June 30, 2018:* Eligible employees and the 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, 2017	For the Year Ended December 31, 2018
Employer contribution rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.50%
<b>Total employer contribution rate to the SCHDTF<sup>1</sup></b>	<b>18.63%</b>	<b>19.13%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$229,266 for the year ended June 30, 2018.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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, 2018, the School reported a liability of \$8,160,991 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.02524%, which was an increase of 0.00227% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$1,906,929. At June 30, 2018, 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	\$150,046	N/A
Changes of assumptions or other inputs	\$2,083,803	\$13,223
Net difference between projected and actual earnings on pension plan investments	N/A	\$320,490
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$716,580	N/A
Contributions subsequent to the measurement date	\$117,589	N/A
<b>Total</b>	<b>\$3,068,018</b>	<b>\$333,713</b>

\$117,589 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, 2019.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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)

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:	
2019	\$1,602,786
2020	\$986,671
2021	\$147,236
2022	(\$119,977)

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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)

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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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.

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 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.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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)

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%
<b>Total</b>	<b>100.00%</b>	

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 4.78 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:

- 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**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)

- 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, 2018

**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 Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$10,308,713	\$8,160,991	\$6,410,833

*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](http://www.copera.org/investments/pera-financial-reports).

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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

**Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018** (Continued)

At June 30, 2018, the School reported a liability of \$8,160,991 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School’s proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 3,687,063

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$3,809,599 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended 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](http://www.copera.org/investments/pera-financial-reports).

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

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

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan (Continued)**

*PERA Benefit Structure*

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*DPS Benefit Structure*

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan (Continued)**

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$12,384 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of \$186,367 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the School's proportion was 0.014340%, which was an increase of 0.00128% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$17,283. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$881	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$3,118
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$13,907	N/A
Contributions subsequent to the measurement date	\$6,270	N/A
<b>Total</b>	<b>\$21,058</b>	<b>\$3,118</b>

\$6,270 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended June 30:</b>	
2019	\$2,125
2020	\$2,125
2021	\$2,125
2022	\$2,126
2023	\$2,905
Thereafter	\$264

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on 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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

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.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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%
<b>Total</b>	<b>100.00%</b>	

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%.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

*Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$181,239	\$186,367	\$192,543

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 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 health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

- 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.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$209,535	\$186,367	\$166,592

*OPEB plan fiduciary net position.* Detailed information about the HCTF'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](http://www.copera.org/investments/pera-financial-reports).

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 8: 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.

During the fiscal year ended June 30, 2018, the School entered into an operating lease for two modular buildings. Monthly lease payment on the buildings is \$895 through June 2019.

Total rent expense for the year ended June 30, 2018 for these leases was \$140,825.

**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, 2018, 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, 2018, the reserve of \$73,000 was recorded as a restriction of fund balance in the General Fund.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE 9: CAPITAL CONTRIBUTION FROM THE DISTRICT**

During the year ended June 30, 2018, the District agreed to allocate a portion of its 2016 Bond Proceeds to pay for various capital improvements and upgrades to the School's facility. As of June 30, 2018 improvements in the amount of \$3,000 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.

**NOTE 10: RESTATEMENT OF NET POSITION**

The beginning net position of the governmental activities was decreased by \$163,528 as the School implemented Governmental Accounting Standards Board (GASB) Statement 75.

**NOTE 11: DEFICIT NET POSITION**

The net position of the governmental activities is in a deficit position in the amount of \$4,625,911 due to the School including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

**REQUIRED SUPPLEMENTARY INFORMATION**

## ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GENERAL FUND  
Year Ended June 30, 2018

	2018			VARIANCE	2017 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
<b>REVENUES</b>					
Local Sources					
Per pupil revenue	\$ 1,676,365	\$ 1,676,365	\$ 1,638,433	\$ (37,932)	\$ 1,405,706
Mill Levy	159,222	159,222	172,189	12,967	159,222
Tuition and Fees	334,720	334,720	380,631	45,911	325,839
Grants and Contributions	162,200	162,200	207,391	45,191	191,633
Interest	2,500	2,500	7,943	5,443	2,286
Other	8,000	8,000	7,889	(111)	108,731
<b>TOTAL REVENUES</b>	<b>2,343,007</b>	<b>2,343,007</b>	<b>2,414,476</b>	<b>71,469</b>	<b>2,193,417</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	943,369	943,369	987,028	(43,659)	861,964
Employee Benefits	278,249	278,249	315,910	(37,661)	246,925
Purchased Services	34,600	34,600	31,706	2,894	9,984
Supplies and Materials	62,621	62,621	75,306	(12,685)	95,621
Property	34,000	34,000	47,279	(13,279)	32,349
Other	650	650	765	(115)	-
<b>TOTAL INSTRUCTION</b>	<b>1,353,489</b>	<b>1,353,489</b>	<b>1,457,994</b>	<b>(104,505)</b>	<b>1,246,843</b>
Supporting Services					
Salaries	318,970	318,970	313,203	5,767	303,488
Employee Benefits	102,997	102,997	89,071	13,926	91,777
Purchased Services	367,059	367,059	345,213	21,846	292,207
Supplies and Materials	53,450	53,450	63,251	(9,801)	57,463
Property	20,000	20,000	38,088	(18,088)	12,453
Other	663,772	663,772	6,042	657,730	111,566
<b>TOTAL SUPPORTING SERVICES</b>	<b>1,526,248</b>	<b>1,526,248</b>	<b>854,868</b>	<b>671,380</b>	<b>868,954</b>
<b>TOTAL EXPENDITURES</b>	<b>2,879,737</b>	<b>2,879,737</b>	<b>2,312,862</b>	<b>566,875</b>	<b>2,115,797</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(536,730)</b>	<b>(536,730)</b>	<b>101,614</b>	<b>638,344</b>	<b>77,620</b>
<b>OTHER FINANCING SOURCES</b>					
Capital Contribution from District	-	-	3,000	3,000	5,000
<b>NET CHANGE IN FUND BALANCE</b>	<b>(536,730)</b>	<b>(536,730)</b>	<b>104,614</b>	<b>641,344</b>	<b>82,620</b>
FUND BALANCE, Beginning	730,629	809,869	809,869	-	727,249
FUND BALANCE, Ending	\$ 193,899	\$ 273,139	\$ 914,483	\$ 641,344	\$ 809,869

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

GRANTS FUND  
Year Ended June 30, 2018

	2018			VARIANCE	2017
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources	\$ 5,269	\$ 5,269	\$ 213	\$ (5,056)	\$ 569
State and Federal Sources	73,378	73,378	72,637	(741)	71,967
TOTAL REVENUES	78,647	78,647	72,850	(5,797)	72,536
EXPENDITURES					
Salaries	20,385	20,385	13,658	6,727	12,867
Employee Benefits	1,000	1,000	938	62	2,055
Purchased Services	55,193	55,193	57,956	(2,763)	53,782
Supplies and Materials	2,069	2,069	298	1,771	3,832
TOTAL EXPENDITURES	78,647	78,647	72,850	5,797	72,536
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>	<u>2017</u>
School's proportionate share of the Net Pension Liability	0.017%	0.018%	0.021%	0.230%	0.025%
School's proportionate share of the Net Pension Liability	\$ 2,172,426	\$ 2,504,017	\$ 3,215,713	\$ 3,513,166	\$ 8,160,991
School's covered-employee payroll	\$ 689,659	\$ 773,972	\$ 916,386	\$ 1,107,608	\$ 1,164,185
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%	701.0%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 118,453	\$ 153,475	\$ 181,554	\$ 214,931	\$ 229,266
Contributions in relation to the Statutorily required contributions	<u>118,453</u>	<u>153,475</u>	<u>181,554</u>	<u>214,931</u>	<u>229,266</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 696,520	\$ 857,010	\$ 968,117	\$ 1,107,608	\$ 1,213,131
Contributions as a percentage of covered-employee payroll	17.01%	17.91%	18.75%	19.40%	18.90%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
 HEALTH CARE TRUST FUND

Years Ended December 31,

	2016	2017
School's proportionate share of the Net Pension Liability	0.013%	0.014%
School's proportionate share of the Net Pension Liability	\$ 169,288	\$ 186,367
School's covered-employee payroll	\$ 1,107,608	\$ 1,164,185
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	15.3%	16.0%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%

See the accompanying independent auditors' report.

ST. VRAIN COMMUNITY MONTESSORI SCHOOL  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018
Statutorily required contributions	\$ 11,298	\$ 12,384
Contributions in relation to the Statutorily required contributions	11,298	12,384
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 1,107,608	\$ 1,213,131
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

See the accompanying independent auditors' report.