

Salida Montessori Charter School

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Salida Montessori Charter School

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June 30, 2018

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
Salida Montessori Charter School
Salida, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Salida Montessori Charter School 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 Salida Montessori Charter School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, the Salida Montessori Charter School adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
October 15, 2018



Basic Financial Statements

Salida Montessori Charter School
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 207,665	\$ 1,927	\$ 209,592
Accounts Receivable	9,427	-	9,427
Grants Receivable	2,930	-	2,930
Prepaid Expenses	15,375	-	15,375
Capital Assets, <i>Not Being Depreciated</i>	-	238,129	238,129
Capital Assets, <i>Net of Accumulated Depreciation</i>	31,792	375,141	406,933
Total Assets	267,189	615,197	882,386
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	1,684,461	-	1,684,461
OPEB, <i>Net of Accumulated Amortization</i>	10,825	-	10,825
Total Deferred Outflows of Resources	1,695,286	-	1,695,286
Liabilities			
Accounts Payable	16,530	-	16,530
Accrued Liabilities	3,557	-	3,557
Accrued Salaries and Benefits	39,822	-	39,822
Unearned Revenues	37,836	-	37,836
Noncurrent Liabilities			
Due in More Than One Year	-	500,000	500,000
Net Pension Liability	3,749,193	-	3,749,193
Net OPEB Liability	85,616	-	85,616
Total Liabilities	3,932,554	500,000	4,432,554
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	162,344	-	162,344
OPEB, <i>Net of Accumulated Amortization</i>	1,432	-	1,432
Total Deferred Inflows of Resources	163,776	-	163,776
Net Position			
Net Investment in Capital Assets	31,792	113,270	145,062
Restricted for Emergencies	29,000	-	29,000
Unrestricted	(2,194,647)	1,927	(2,192,720)
Total Net Position	\$ (2,133,855)	\$ 115,197	\$ (2,018,658)

See Notes to Financial Statements.

Salida Montessori Charter School
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 1,506,051	\$ 238,455	\$ 70,953	\$ (1,196,643)	\$ -	\$ (1,196,643)
Supporting Services	475,778	6,519	1,700	(467,559)	-	(467,559)
Total Governmental Activities	1,981,829	244,974	72,653	(1,664,202)	-	(1,664,202)
<i>Business-Type Activities</i>						
Building Corporation	13,632	-	-	-	(13,632)	(13,632)
Total Primary Government	\$ 1,995,461	\$ 244,974	\$ 72,653	(1,664,202)	(13,632)	(1,677,834)
General Revenues						
Per Pupil Revenue				632,713	-	632,713
At-Risk Supplemental Aid				5,464	-	5,464
Additional At-Risk Funding				219	-	219
Capital Construction				22,368	-	22,368
Grants and Contributions not Restricted to Specific Programs				5,314	-	5,314
Investment Income				56	1	57
Other				6,516	11,828	18,344
Transfers				(117,000)	117,000	-
Total General Revenues and Transfers				555,650	128,829	684,479
Change in Net Position				(1,108,552)	115,197	(993,355)
Net Position, Beginning of year (Restated)				(1,025,303)	-	(1,025,303)
Net Position, End of year				\$ (2,133,855)	\$ 115,197	\$ (2,018,658)

Salida Montessori Charter School

Balance Sheet Governmental Fund June 30, 2018

	General
Assets	
Cash	\$ 207,665
Accounts Receivable	9,427
Grants Receivable	2,930
Prepaid Expenditures	15,375
Total Assets	\$ 235,397
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 16,530
Accrued Liabilities	3,557
Accrued Salaries and Benefits	39,822
Unearned Revenues	37,836
Total Liabilities	97,745
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	15,375
Restricted for Emergencies	29,000
Unrestricted, Unassigned	93,277
Total Fund Balance	137,652
Total Liabilities and Fund Balance	\$ 235,397
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 137,652
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	31,792
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Net pension liability	(3,749,193)
Pension-related deferred outflows of resources	1,684,461
Pension-related deferred inflows of resources	(162,344)
Net OPEB liability	(85,616)
OPEB-related deferred outflows of resources	10,825
OPEB-related deferred inflows of resources	(1,432)
Total Net Position of Governmental Activities	\$ (2,133,855)

See Notes to Financial Statements.

Salida Montessori Charter School
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 909,573
State Sources	52,251
Federal Sources	28,453
Total Revenues	990,277
Expenditures	
Instruction	640,277
Supporting Services	297,421
Total Expenditures	937,698
Excess of Revenues Over Expenditures	52,579
Other Financing Sources (Uses)	
Transfers Out	(117,000)
Net Change in Fund Balance	(64,421)
Fund Balance, <i>Beginning of year</i>	202,073
Fund Balance, <i>End of year</i>	\$ 137,652

Salida Montessori Charter School

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

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

Net Change in Fund Balance of the Governmental Fund	\$ (64,421)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation expense	(5,766)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:	
Net pension liability	(656,088)
Pension-related deferred outflows of resources	(227,969)
Pension-related deferred inflows of resources	(151,683)
Net OPEB liability	(9,056)
OPEB-related deferred outflows of resources	7,863
OPEB-related deferred inflows of resources	<u>(1,432)</u>
Change in Net Position of Governmental Activities	\$ <u>(1,108,552)</u>

Salida Montessori Charter School
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>Building Corporation</u>
Assets	
<i>Current Assets</i>	
Cash	\$ <u>1,927</u>
Total Current Assets	<u>1,927</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	238,129
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>375,141</u>
Total Noncurrent Assets	<u>613,270</u>
Total Assets	<u>615,197</u>
Liabilities	
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>500,000</u>
Total Liabilities	<u>500,000</u>
Net Position	
Net Investment in Capital Assets	113,270
Unrestricted	<u>1,927</u>
Total Net Position	<u>\$ <u>115,197</u></u>

Salida Montessori Charter School
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Building Corporation</u>
Operating Revenues	
Rental Income	\$ <u>11,828</u>
Operating Expenses	
Purchased Services	2,620
Depreciation	3,478
Debt Service	
Interest and Fiscal Charges	<u>7,534</u>
Total Operating Expenses	<u>13,632</u>
Net Operating Loss	(1,804)
Nonoperating Revenues	
Investment Income	<u>1</u>
Net Loss Before Transfers	(1,803)
Transfers In	<u>117,000</u>
Change in Net Position	115,197
Net Position, <i>Beginning of year</i>	<u>-</u>
Net Position, <i>End of year</i>	<u>\$ 115,197</u>

Salida Montessori Charter School
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Rental Payments Received	\$ 11,828
Payments to Vendors	(2,620)
Loan Interest and Fees Paid	<u>(7,534)</u>
Net Cash Provided by Operating Activities	<u>1,674</u>
Cash Flows From Capital and Related Financing Activities	
Loan Proceeds	500,000
Payments from the School	117,000
Acquisition of Capital Assets	<u>(616,748)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>252</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>1</u>
Net Increase in Cash	1,927
Cash, Beginning of year	<u>-</u>
Cash, End of year	<u><u>\$ 1,927</u></u>
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities	
Net Operating Loss	\$ (1,804)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	<u>3,478</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,674</u></u>

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies

The Salida Montessori Charter School (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school in Salida, Colorado. The School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School. The current contract expires on June 30, 2021. The School began operations in the Fall of 2015.

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

Reporting Entity

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

The School includes the Salida Montessori Charter School Building Corporation (the Corporation) within its reporting entity. The Corporation was organized exclusively for charitable and educational purposes, specifically holding title to real and/or personal property for, and making the same available for use by, the School, and to otherwise provide a public building, facilities, and equipment for the School. The Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

Government-wide and Fund Financial Statements

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

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

The School reports the following major governmental fund:

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

The School reports one major proprietary fund, as follows:

Building Corporation - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	20 - 40 years
Equipment	5 - 10 years

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition, fees, and grants received before the eligibility requirements established by the provider have been met.

Compensated Absences - School employees may accumulate up to 16 days of unused sick leave. The School does not reimburse or otherwise compensate employees for any unused sick leave at separation of employment. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Issuance costs are reported as current expenses or expenditures.

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

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

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

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

Risk Management

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 2: Deposits and Investments

Deposits

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

Investments

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

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

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

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

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities.

The School had no investments at June 30, 2018.

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 3: Capital Assets

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 40,572	\$ -	\$ -	\$ 40,572
Accumulated Depreciation	(3,014)	(5,766)	-	(8,780)
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 37,558</u>	<u>\$ (5,766)</u>	<u>\$ -</u>	<u>\$ 31,792</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ -	\$ 238,129	\$ -	\$ 238,129
<i>Capital Assets, Being Depreciated</i>				
Buildings	-	378,619	-	378,619
Accumulated Depreciation	-	(3,478)	-	(3,478)
Total Capital Assets, <i>Being Depreciated, net</i>	<u>-</u>	<u>375,141</u>	<u>-</u>	<u>375,141</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ -</u>	<u>\$ 613,270</u>	<u>\$ -</u>	<u>\$ 613,270</u>

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

Instruction	\$ 2,348
Supporting Services	3,418
Total	<u>\$ 5,766</u>

Note 4: Long-Term Debt

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

	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
Business-Type Activities					
2018 Loan	\$ -	\$ 500,000	\$ -	\$ 500,000	\$ -

On March 13, 2018, the Corporation obtained a loan from High Country Bank in the amount of \$500,000. Loan proceeds were used to purchase property intended for future construction of education facilities for the School. Interest accrues on the outstanding balance of the loan at 5% per annum. Interest-only payments are due monthly. All principal and any unpaid interest is due in full on April 1, 2020.

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan

General Information

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

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

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

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

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2018, were \$107,136, equal to the required contributions.

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

At June 30, 2018, the School reported a net pension liability of \$3,749,193, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0115943254%, which was an increase of 0.0012056690% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$1,693,853.

For the year ended June 30, 2018, the School recognized pension expense of \$1,286,775. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 68,932	\$ -
Changes of assumptions and other inputs	957,308	6,075
Net difference between projected and actual earnings on plan investments	-	156,269
Changes in proportion	601,569	-
Contributions subsequent to the measurement date	56,652	-
Total	\$ 1,684,461	\$ 162,344

School contributions subsequent to the measurement date of \$56,652 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2019		\$	983,560
2020			491,057
2021			46,238
2022			(55,390)
Total		\$	1,465,465

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 5: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 4,735,868	\$ 3,749,193	\$ 2,945,165

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

Note 6: Postemployment Healthcare Benefits

General Information

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

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

Salida Montessori Charter School
Notes to Financial Statements
June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$5,493, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$85,616, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0065878493%, which was an increase of 0.0006828093% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$8,138. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 405	\$ -
Net difference between projected and actual earnings on plan investments	-	1,432
Changes in proportion	7,399	-
Contributions subsequent to the measurement date	3,021	-
Total	<u>\$ 10,825</u>	<u>\$ 1,432</u>

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of \$3,021 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>		
2019	\$	1,175
2020		1,175
2021		1,175
2022		1,175
2023		1,533
2024		139
		<hr/>
Total	\$	<u><u>6,372</u></u>

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

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

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 5.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 96,259	\$ 85,616	\$ 76,531

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ 83,260	\$ 85,616	\$ 88,453

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

Note 7: Interfund Transactions

During the year ended June 30, 2018, the School transferred \$117,000 to the Corporation to assist with the purchase of property.

Note 8: Commitments and Contingencies

Claims and Judgments

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

Salida Montessori Charter School

Notes to Financial Statements

June 30, 2018

Note 8: Commitments and Contingencies (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$29,000.

Operating Leases

In July 2016, the School entered into a one-year extension agreement to lease educational facilities. Monthly lease payments of \$2,000 commenced in August 2016. Effective July 30, 2018, the School approved a similar agreement through July 31, 2019, with monthly lease payments of \$2,200. The School has an option to extend the lease for an additional year. During the year ended June 30, 2018, the School paid \$24,000 under this agreement.

In addition, in July 2016, the School extended its agreement to lease a second location, commencing July 1, 2016. Monthly lease payments of \$2,200 plus utilities were required by the agreement. On July 1, 2018, the School extended this agreement for an additional year, including monthly lease payments of \$2,200. The School may extend the agreement for an additional year. During the year ended June 30, 2018, the School paid \$26,400 under this agreement.

Note 9: Change in Accounting Principle

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

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

	Governmental Activities
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (951,705)
Deferred Outflows of Resources	2,962
Net OPEB Liability	(76,560)
	<hr/>
Net Position, June 30, 2017, as <i>Restated</i>	\$ <u>(1,025,303)</u>

Required Supplementary Information

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability			
School's Proportion of the Net Pension Liability	0.0115943254%	0.0103886564%	0.0079399216%
School's Proportionate Share of the Net Pension Liability	\$ 3,749,193	\$ 3,093,105	\$ 1,214,355
School's Covered Payroll	\$ 534,832	\$ 466,261	\$ 173,010
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	702%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/14</u>
School Contributions			
Statutorily Required Contribution	\$ 101,643	\$ 93,097	\$ 69,802
Contributions in Relation to the Statutorily Required Contribution	<u>(101,643)</u>	<u>(93,097)</u>	<u>(69,802)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 538,517	\$ 506,345	\$ 392,638
Contributions as a Percentage of Covered Payroll	18.87%	18.39%	17.78%

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

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

	12/31/17
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0065878493%
School's Proportionate Share of the Net OPEB Liability	\$ 85,616
School's Covered-Employee Payroll	\$ 534,832
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
School Contributions	
Statutorily Required Contribution	\$ 5,493
Contributions in Relation to the Statutorily Required Contribution	(5,493)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 542,410
Contributions as a Percentage of Covered-Employee Payroll	1.01%

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

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

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 629,795	\$ 629,795	\$ 632,713	\$ 2,918
Tuition	198,631	198,631	181,922	(16,709)
Student Activities	63,825	63,825	56,533	(7,292)
Food Service Fees	-	-	4,186	4,186
Grants and Contributions	6,500	6,500	25,314	18,814
Investment Income	50	50	56	6
Other	-	-	8,849	8,849
<i>State Sources</i>				
At-Risk Supplemental Aid	2,284	2,284	5,464	3,180
Additional At-Risk Funding	-	-	219	219
Capital Construction	21,700	21,700	22,368	668
Grants	37,184	37,184	24,200	(12,984)
<i>Federal Sources</i>				
Grants	30,027	30,027	28,453	(1,574)
Total Revenues	<u>989,996</u>	<u>989,996</u>	<u>990,277</u>	<u>281</u>
Expenditures				
<i>Instruction</i>				
Salaries	448,540	448,540	450,393	(1,853)
Employee Benefits	140,489	140,489	130,735	9,754
Purchased Services	23,305	23,305	26,261	(2,956)
Supplies	21,593	21,593	29,129	(7,536)
Property	-	-	3,371	(3,371)
Other	-	-	388	(388)
Total Instruction	<u>633,927</u>	<u>633,927</u>	<u>640,277</u>	<u>(6,350)</u>
<i>Supporting Services</i>				
Salaries	95,554	95,554	90,177	5,377
Employee Benefits	27,301	27,301	30,737	(3,436)
Purchased Services	163,322	163,322	157,337	5,985
Supplies	9,000	9,000	11,939	(2,939)
Other	6,000	6,000	7,231	(1,231)
Total Supporting Services	<u>301,177</u>	<u>301,177</u>	<u>297,421</u>	<u>3,756</u>
Reserves	<u>60,000</u>	<u>60,000</u>	<u>-</u>	<u>60,000</u>
Total Expenditures	<u>995,104</u>	<u>995,104</u>	<u>937,698</u>	<u>57,406</u>
Excess of Revenues Over (Under) Expenditures	(5,108)	(5,108)	52,579	57,687
Other Financing Sources (Uses)				
Transfers Out	-	(146,896)	(117,000)	29,896
Net Change in Fund Balance	(5,108)	(152,004)	(64,421)	87,583
Fund Balance, Beginning of year	<u>173,568</u>	<u>202,073</u>	<u>202,073</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 168,460</u>	<u>\$ 50,069</u>	<u>\$ 137,652</u>	<u>\$ 87,583</u>

See the accompanying Independent Auditors' Report.

Salida Montessori Charter School
Required Supplementary Information
June 30, 2018

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

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

Changes in Assumptions and Other Inputs

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

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

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the School 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, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.