



Mountain Village Montessori Charter School

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

September 17, 2018

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

We have audited the accompanying financial statements of the governmental activities and each major fund of the Mountain Village Montessori Charter School as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Mountain Village Montessori Charter School's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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



Board of Directors  
Mountain Village Montessori Charter School  
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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Mountain Village Montessori Charter School as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

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

**Mountain Village Montessori Charter School**  
**Management's Discussion and Analysis**  
**Fiscal Year Ending June 30, 2018**

As management of Mountain Village Montessori Charter School (MVMCS or the School), we offer readers of Mountain Village Montessori Charter School's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

## **Financial Highlights**

The year ended June 30, 2018 is the second year of operations for MVMCS. As of June 30, 2018, net position decreased by \$(1,432,681) to \$(2,963,865). Mountain Village Montessori Charter School's governmental fund reported an ending fund balance of \$74,486, an increase of \$46,941 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$1,025,664.

## **Overview of Financial Statements**

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

### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of 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 and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Colorado Charter School Institute). The governmental activities of MVMCS include instruction and supporting services.

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

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

### ***Notes to the Financial Statements***

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

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2018, MVMCS's net position was \$(2,963,865). This position includes a net pension liability in the amount of \$5,217,219, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. The School's net position also includes a net OPEB (Other Postemployment Benefit) liability in the amount of \$120,105, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered through PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as requirement by GASB 75. This standard was made effective July 1, 2017 and resulted in a restated net position for June 30, 2017. More information regarding the net pension and OPEB liabilities may be found in the notes to the financial statements.

Of the School's total net position, \$22,127 is invested in capital assets, and \$52,200 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

**Mountain Village Montessori Charter School's Net Position**

	2017-2018	2016-2017
<b>ASSETS</b>		
Cash	\$ 146,406	\$ 230,539
Accounts Receivable	73,525	79,413
Grants Receivable	14,452	10,155
Prepaid Expenses	11,989	3,502
Lease Deposit	8,798	8,798
Capital Assets, Net of Accumulated Depreciation	<u>22,127</u>	<u>34,740</u>
<b>TOTAL ASSETS</b>	<u>277,297</u>	<u>367,147</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
OPEB, Net of Accumulated Amortization	7,060	-
Pensions, Net of Accumulated Amortization	<u>2,485,134</u>	<u>3,412,981</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>2,492,194</u>	<u>3,412,981</u>
<b>LIABILITIES</b>		
Accounts Payable	1,342	27,735
Accrued Payroll Liabilities	179,342	242,126
Unearned Revenue	-	35,000
Noncurrent Liabilities		
Due within One Year	-	124,000
Net OPEB Liability	120,105	
Net Pension Liability	<u>5,217,219</u>	<u>4,747,737</u>
<b>TOTAL LIABILITIES</b>	<u>5,518,008</u>	<u>5,176,598</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
OPEB, Net of Accumulated Amortization	2,009	-
Pensions, Net of Accumulated Amortization	<u>213,339</u>	<u>21,452</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>215,348</u>	<u>21,452</u>
<b>NET POSITION</b>		
Investment in Capital Assets	22,127	34,740
Restricted for Emergencies	52,200	30,618
Unrestricted	<u>(3,038,192)</u>	<u>(1,483,280)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (2,963,865)</u>	<u>\$ (1,417,922) *</u>

\*restated to \$(1,531,184) to reflect the cumulative effect of adopting GASB 75

## Mountain Village Montessori Charter School's Change in Net Position

	2017-2018	2016-2017
<b>REVENUES</b>		
Per Pupil Revenue	\$ 1,025,664	\$ 652,664
Charges for Services	447,182	327,829
Operating Grants and Contributions	411,371	500,806
Capital Grants and Contributions	35,290	24,906
	<u>1,919,507</u>	<u>1,506,205</u>
<b>EXPENSES</b>		
Instruction	2,450,184	2,155,115
Support Services	901,129	793,509
Interest on Long-Term Debt	875	-
	<u>3,352,188</u>	<u>2,948,624</u>
<b>TOTAL REVENUE</b>	<u>1,919,507</u>	<u>1,506,205</u>
<b>EXPENSES</b>		
Instruction	2,450,184	2,155,115
Support Services	901,129	793,509
Interest on Long-Term Debt	875	-
	<u>3,352,188</u>	<u>2,948,624</u>
<b>TOTAL EXPENSES</b>	<u>3,352,188</u>	<u>2,948,624</u>
<b>CHANGE IN NET POSITION</b>	(1,432,681)	(1,442,419)
<b>NET POSITION, Beginning</b>	<u>(1,531,184)</u>	<u>24,497</u>
<b>NET POSITION, Ending</b>	<u>\$ (2,963,865)</u>	<u>\$ (1,417,922) *</u>

\*restated to \$(1,531,184) to reflect the cumulative effect of adopting GASB 75

### Financial Analysis of the Government's Fund

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$74,486, an increase of \$46,941 from the prior year.

### General Fund Budgetary Highlights

MVMCS recognized \$10,705 more revenue than expected and spent \$20,207 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment.

## **Capital Assets & Long-Term Debt**

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

During 2017-2018, the School had long-term debt in the form of an interest free note from the School's authorizer and an interest bearing note from the Orange Community Foundation. Proceeds of both notes provided cash flow during the start-up phase of the School and the principal balance of both notes were paid in full during 2017-2018. More information regarding long-term debt may be found in Note E to the financial statements.

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for Mountain Village Montessori Charter School is student enrollment. Enrollment for the 2017-2018 school year was 136.24 funded students. Enrollment projected for 2018-2019 is 132.50 funded students. This factor was considered when preparing MVMCS's budget for 2018-2019.

## **Requests for Information**

This financial report is designed to provide a general overview of Mountain Village Montessori Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

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

Mountain Village Montessori Charter School

STATEMENT OF NET POSITION

June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash	\$ 146,406
Accounts receivable	73,525
Grants receivable	14,452
Prepaid expenses	11,989
Lease deposit	8,798
Capital assets, net of accumulated depreciation	22,127
Total assets	<u>277,297</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to other post employee benefits	7,060
Deferred outflows related to pension	2,485,134
Total deferred outflows of resources	<u>2,492,194</u>
Total assets and deferred outflows of resources	<u>\$ 2,769,491</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 1,342
Accrued payroll liabilities	179,342
Total current liabilities	<u>180,684</u>
Long-term liabilities due more than one year:	
Other post employee benefits	120,105
Net pension liability	5,217,219
Total liabilities	<u>5,518,008</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to other post employee benefits	2,009
Deferred inflows related to pension	213,339
Total deferred inflows of resources	<u>215,348</u>
<b>NET POSITION</b>	
Net investment in capital assets	22,127
Restricted for emergencies	52,200
Unrestricted	(3,038,192)
Total net position	<u>(2,963,865)</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 2,769,491</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Governmental Activities
<b>Governmental activities:</b>					
Instructional services	\$ 2,450,184	\$ 396,205	\$ 409,796	\$ -	\$ (1,644,183)
Support services	901,129	50,977	1,575	35,290	(813,287)
Interest on long term debt	875	-	-	-	(875)
<b>Total governmental activities</b>	<b>\$ 3,352,188</b>	<b>\$ 447,182</b>	<b>\$ 411,371</b>	<b>\$ 35,290</b>	<b>(2,458,345)</b>
<b>General revenues:</b>					
					1,025,664
					<u>1,025,664</u>
					(1,432,681)
					(1,417,922)
					(113,262)
					<u>(1,531,184)</u>
					<u>\$ (2,963,865)</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2018

		<u>General Fund</u>
<b>ASSETS</b>		
Cash		\$ 146,406
Grants receivable		73,525
Accounts receivable		14,452
Prepaid expenses		11,989
Lease deposit		8,798
	<b>Total assets</b>	<u>\$ 255,170</u>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities</b>		
Accounts payable		\$ 1,342
Accrued payroll liabilities		179,342
	<b>Total liabilities</b>	<u>180,684</u>
<b>Fund balances</b>		
Nonspendable		20,787
Restricted - TABOR reserve		52,200
Unassigned		1,499
	<b>Total fund balances</b>	<u>74,486</u>
	<b>Total liabilities and fund balances</b>	<u>\$ 255,170</u>
 Amounts reported for governmental activities in the statement of net position are different because:		
Total governmental fund balance (as reported above)		\$ 74,486
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		22,127
Net other post employee benefits and related deferred inflows and outflows of resources are not recorded in the funds (\$7,060-120,105-2,009)		(115,054)
Net pension liability and related deferred inflows and outflows of resources are not recorded in the funds (\$2,485,134-5,217,219-213,339)		(2,945,424)
Net position of governmental activities		<u>\$ (2,963,865)</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

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

Year ended June 30, 2018

	<u>General Fund</u>
Revenues	
Local sources	\$ 647,927
State sources	1,091,207
Federal sources	<u>180,373</u>
	Total revenues
	1,919,507
Expenditures	
Current	
Instructional services	1,109,122
Supporting services	638,569
Debt service principal	124,000
Debt service intrest	875
	Total expenditures
	<u>1,872,566</u>
	Revenues in excess (deficiency) of expenditures
	46,941
Fund balance beginning of year	<u>27,545</u>
Fund balance end of year	<u><u>\$ 74,486</u></u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

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

Net change in fund balance - total governmental fund	\$ 46,941
In the governmental funds, expenditures related to other post employee benefit obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the accrual basis. This is the amount by which benefit expense in the statement of activities is more than that in the governmental funds.	(1,793)
In the governmental funds, expenditures related to pension obligations are measured by the amount of financial resources used, whereas in the statement of activities, they are measured on the full accrual basis. This is the amount by which pension expense in the statement of activities is more than that in the governmental funds.	(1,589,216)
In the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental funds, capital outlays are an expenditure in the current period. This is the amount by which capitalized capital outlay expenditures exceeded depreciation in the current year (\$0- \$12,613).	(12,613)
In the governmental funds, payments on the notes payable are measured by the amount of financial resources used, whereas in the statement of activities they are measured as the liability is reduced according to the note payables schedule. This is the amount the School paid toward the notes payable in the current year.	<u>124,000</u>
Change in net position of governmental activities	<u>\$ (1,432,681)</u>

The accompanying notes are an integral part of the statements.

Mountain Village Montessori Charter School

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

Year ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 632,750	\$ 643,169	\$ 647,927	\$ 4,758
State sources	1,057,523	1,093,805	1,091,207	(2,598)
Federal sources	174,321	171,828	180,373	8,545
Total revenues	1,864,594	1,908,802	1,919,507	10,705
<b>Expenditures</b>				
Instructional	1,172,728	1,114,139	1,109,122	5,017
Supporting services	598,802	653,759	638,569	15,190
Debt service				
Principal	124,000	124,000	124,000	-
Interest	-	875	875	-
Total expenditures	1,895,530	1,892,773	1,872,566	20,207
Revenues in excess (deficiency) of expenditures	(30,936)	16,029	46,941	30,912
Fund balance beginning of year	139,779	45,612	27,545	(18,067)
Fund balance end of year	\$ 108,843	\$ 61,641	\$ 74,486	\$ 12,845

The accompanying notes are an integral part of the statements.

# MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

#### **1. The Reporting Entity**

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

#### **2. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Mountain Village Montessori Charter School presently has no business-type activities.

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

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

#### **3. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

Intergovernmental revenue, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School. When both restricted and unrestricted resources are available for use, it is the School's intent to use restricted resources first and the unrestricted resources as they are needed. There is no formal policy.

The School reports the following major governmental fund:

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

4. Assets, Liabilities and Net Position/Fund Balance

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

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

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

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

*Capital Assets* - Capital assets, which include equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Equipment	3 years
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*Payroll Liabilities* - Salaries and retirement benefit contributions of employed personnel that are earned during a School year but not paid by year's end are reported as a liability of the General Fund.

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

5. Stewardship, compliance and accountability

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

During the budget year, the Board of Directors has the option of changing and finalizing the budget for the fiscal year. One supplemental budget amendment was adopted during the fiscal year ended June 30, 2018.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

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

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

**6. Income Taxes**

The School was exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files its informational return, Internal Revenue Service form 990, for the federal jurisdiction on an annual basis. During the fiscal year 2018 school year their tax-exempt status was revoked by the IRS. The School is actively pursuing reinstatement of their status with the help of legal representation.

**7. Pensions**

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED**

**8. Adoption of GASB 75**

For the year ended June 30, 2018, the School adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which replaces the requirements of Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

**9. Defined Benefit Other Post Employment Benefit Plan (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 the 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.

**NOTE B – CASH AND INVESTMENTS**

The carrying value of cash deposits in banking institutions as of June 30, 2018 is as follows:

Demand accounts	<u>\$ 146,406</u>
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*Deposits* - The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government including component units deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits. As of June 30, 2018, the School had deposits of \$150,769, of which all was covered by federal depository insurance.

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

*Credit Risk* – State statute limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE B – CASH AND INVESTMENTS – CONTINUED**

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

The School had no investments at June 30, 2018

**NOTE C – FUND BALANCES**

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

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

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE C – FUND BALANCES – CONTINUED**

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

**NOTE D – CAPITAL ASSETS**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Equipment	\$ 37,839	\$ —	\$ —	\$ 37,839
Total capital assets, being depreciated	37,839	—	—	37,839
Less accumulated depreciation:				
Equipment	(3,099)	(12,613)	—	(15,712)
Total accumulated depreciation	(3,099)	(12,613)	—	(15,712)
Total capital assets, being depreciated, net	34,740	(12,613)	—	22,127
Total capital assets	<u>\$ 34,740</u>	<u>\$ (12,613)</u>	<u>\$ —</u>	<u>\$ 22,127</u>

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

Governmental activities:	
Support services	\$ 12,613
Total depreciation expense	<u>\$ 12,613</u>

**NOTE E – LONG-TERM DEBT**

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

	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance June 30, 2018</u>	<u>Due in one year</u>
Notes payable	\$ 124,000	\$ —	\$ 124,000	\$ —	\$ —
OPEB liability	—	120,105	—	120,105	—
Net pension liability	4,747,737	469,482	—	5,217,219	—
	<u>\$4,871,737</u>	<u>\$ 589,587</u>	<u>\$ 124,000</u>	<u>\$ 5,337,324</u>	<u>\$ —</u>

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE F – OPERATING LEASE**

The School entered into a three-year operating lease in October 2015 for use of land and a building. In June 2017 the lease was amended. The lease requires minimum monthly payments of \$13,977 beginning in July 2017, with payments increasing to \$14,997 in the second year, and to \$ 15,930 in the year ending June 2019. In addition to the monthly rent a common area expense management charge of at least \$2,541, which is based off of the proportionate share of the School’s operating costs. This amount was calculated on the square footage of the building that was occupied by the School. There is an additional fee for the use of the playground of \$417 a month. Total lease expense during fiscal year 2018 was \$238,853.

Future estimated minimum lease payments under the operating lease for the years following June 30, 2018 are as follows:

<u>Year</u>	
2019	\$ 228,546
2020	<u>239,742</u>
Total	<u>\$ 468,288</u>

**NOTE G – DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT 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. 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions 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).

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$161,616 for the year ended June 30, 2018.

**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 \$5,217,219 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 proportion of the net pension liability was based on the School 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 proportion was .0161 percent, which was an increase of .0002 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$1,750,832. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$95,923	\$–
Changes of assumptions or other inputs	1,332,150	8,454
Net difference between projected and actual earnings on pension plan investments	–	204,885
Changes in proportion and differences between contributions recognized and proportionate share of contributions	971,425	–
Contributions subsequent to the measurement date	85,636	N/A
Total	\$2,485,134	\$213,339

\$85,636 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. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30, 2018:</b>	
2019	\$ 1,475,448
2020	779,236
2021	8,553
2022	(77,078)
2023	–
Thereafter	–

*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:

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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.

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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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>	

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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.
- 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the 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 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	\$6,590,235	\$5,217,219	\$4,098,368

*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).

**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.*

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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.

At June 30, 2018, the School reported a liability of \$5,217,219 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 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%	\$ 2,357,094

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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 \$2,435,431 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

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.

*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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

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.

*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 \$8,726 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 \$120,105 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 proportion of the net OPEB liability was based on School 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 proportion was .009 percent, which was an increase of .0002 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$10,519. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$568	\$–
Net difference between projected and actual earnings on OPEB plan investments	–	2,009
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,926	–
Contributions subsequent to the measurement date	4,566	N/A
Total	\$7,060	\$2,009

\$4,566 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, 2018:</b>	
2019	\$ (13)
2020	(13)
2021	(13)
2022	(13)
2023	490
Thereafter	47

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – 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.

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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

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.

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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

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.
- 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.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

- 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.

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:

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – 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%.

*Sensitivity of the School 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	\$116,800	\$120,105	\$124,085

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

*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.
- 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 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:

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

**NOTE H – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED**

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$135,035	\$120,105	\$107,361

*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).

**NOTE I – RISK MANAGEMENT**

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

The School is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. The School uses workers compensation and other liability insurance to help mitigate these risks. During the year ended June 30, 2018, the School paid \$19,046 in related insurance premiums to insurers.

**NOTE J – TAX, SPENDING AND DEBT LIMITATIONS**

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

**NOTE K – COMMITMENTS AND CONTIGENCIES**

**Claim and Judgments –** The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 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 any of the individual governmental funds or the overall financial position of the School.

MOUNTAIN VILLAGE MONTESSORI CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

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**NOTE L – RELATED PARTIES**

Emily Barnhart, a board member during FY18, was paid \$4,061.90 as an Instructional Coach Consultant.

**NOTE M – CHANGE IN ACCOUNTING PRINCIPLE**

Effective July 1, 2017, the School retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the School accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by \$113,262, from (\$1,417,922) to (\$1,531,184).

**NOTE N – PENSION PAYABLE**

As of June 30, 2018, the School still owed PERA back contributions for unpaid, due contributions from fiscal year 2017. The amount due at June 30, 2018 was \$36,739 and is being paid at approximately \$6,000 per month.

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2016	0.01595%	\$ 4,747,737	\$ 298,203	1592%	43%
December 31, 2017	0.01613%	5,217,219	756,536	690%	44%

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2017	\$ 119,027	\$ 119,027	\$ -	\$ 646,905	18%
June 30, 2018	161,616	161,616	-	855,488	19%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<u>Measurement date:</u>					
December 31, 2017	0.00924%	\$ 120,105	\$ 756,536	16%	18%

Mountain Village Montessori Charter School

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	<u>Required employer contribution</u>	<u>Employer contributions recognized by the plan</u>	<u>Difference</u>	<u>Employer covered payroll</u>	<u>Contributions as a percentage of employer covered payroll</u>
June 30, 2018	\$ 8,726	\$ 8,726	\$ -	\$ 855,488	1%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.