

Monument View Montessori Charter School

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

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INDEPENDENT AUDITOR'S REPORT

November 13, 2019

To the Board of Directors
Monument View Montessori Charter School
Fruita, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund information of Monument View Montessori Charter School, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund, of Monument View Montessori Charter School, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages i-vi, the budgetary comparison information, pension schedules and the OPEB schedules as listed in the table of contents on pages 38-42, 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.

Chadwick, Steinkirchner, Davis & Co., P.C.
Grand Junction, Colorado

Monument View Montessori Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2019

As management of Monument View Montessori Charter School (MVMCS or the School), we offer readers of Monument View 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, 2019. 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, 2019 is the second year of operations for MVMCS. As of June 30, 2019, net position decreased by \$(270,992) to \$(519,821). Monument View Montessori Charter School's governmental fund reported an ending fund balance of \$(34,772), a decrease of \$(3,897) 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 \$191,822.

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 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 schedule 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, 2019, MVMCS's net position was \$(519,821). This position includes a net pension liability in the amount of \$462,467, 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 Post-Employment Benefits) liability in the amount of \$23,098, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered by PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as requirement by GASB 75. 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, \$10,000 is invested in capital assets and \$12,900 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Monument View Montessori Charter School's Net Position

	2018-2019	2017-2018
ASSETS		
Cash	\$ 122	\$ 3,944
Cash Reserves Held by Others	3,055	-
Grants Receivable	11,560	12,922
Accounts Receivable	2,874	828
Deposits	2,500	-
Capital Assets, Net of Accumulated Depreciation	<u>10,000</u>	<u>46,669</u>
TOTAL ASSETS	<u>30,111</u>	<u>64,363</u>
DEFERRED OUTFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	17,972	21,518
Pensions, Net of Accumulated Amortization	<u>261,383</u>	<u>895,406</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>279,355</u>	<u>916,924</u>
LIABILITIES		
Accounts Payable	4,235	5,641
Personal Loan	10,000	6,568
Line of Credit	19,767	18,798
Accrued Salaries and Benefits	20,881	17,561
Noncurrent Liabilities		
Notes Payable, Due Within One Year	1,196	7,689
Notes Payable	-	6,900
Net OPEB Liability	23,098	25,043
Net Pension Liability	<u>462,467</u>	<u>1,096,653</u>
TOTAL LIABILITIES	<u>541,644</u>	<u>1,184,853</u>
DEFERRED INFLOWS OF RESOURCES		
OPEB, Net of Accumulated Amortization	35	419
Pensions, Net of Accumulated Amortization	<u>287,608</u>	<u>44,844</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>287,643</u>	<u>45,263</u>
NET POSITION		
Net Investment in Capital Assets	10,000	46,669
Restricted for Emergencies	12,900	10,566
Unrestricted	<u>(542,721)</u>	<u>(306,064)</u>
TOTAL NET POSITION	<u>\$ (519,821)</u>	<u>\$ (248,829)</u>

Monument View Montessori Charter School's Change in Net Position

	2018-2019	2017-2018
REVENUES		
Per Pupil Revenue	\$ 191,822	\$ 165,872
Charges for Services	99,694	72,190
Operating Grants and Contributions	150,900	95,204
Capital Grants and Contributions	7,485	6,014
Miscellaneous Revenue	-	981
	<u>449,901</u>	<u>340,261</u>
EXPENSES		
Instruction	429,323	460,951
Support Services	291,570	158,033
	<u>720,893</u>	<u>618,984</u>
TOTAL REVENUE	<u>449,901</u>	<u>340,261</u>
TOTAL EXPENSES	<u>720,893</u>	<u>618,984</u>
CHANGE IN NET POSITION	(270,992)	(278,723)
NET POSITION, Beginning	<u>(248,829)</u>	<u>29,894</u>
NET POSITION, Ending	<u>\$ (519,821)</u>	<u>\$ (248,829)</u>

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 \$(34,772), a decrease of \$(3,897) from the prior year.

General Fund Budgetary Highlights

MVMCS recognized \$36,848 less revenue than expected and spent \$4,141 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 and other assumptions.

Capital Assets & Debt

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

The School has long-term debt in the form of a loan through the Charter Schools Development Corporation (CSDC). The proceeds of the loan were used for improvements to the School's educational facility. More information regarding long-term debt may be found in Note E to the financial statements.

The school also has short-term debt in the form of a line of credit to assist with cash flow and a private note from a school parent, the proceeds of which were used to fund operations and capital projects.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Monument View Montessori Charter School is student enrollment. Enrollment for the 2018-2019 school year was 24.96 funded students. Enrollment projected for 2019-2020 is 52.00 funded students. This factor was considered when preparing MVMCS's budget for 2019-2020.

Requests for Information

This financial report is designed to provide a general overview of Monument View 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:

Monument View Montessori Charter School
1956 US-6
Fruita, CO 81521

Monument View Montessori Charter School

STATEMENT OF NET POSITION

June 30, 2019

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 122
Cash reserves held by others`	3,055
Grants receivable	11,560
Accounts receivable	2,874
Deposits	2,500
Capital assets:	
Non-depreciable, construction in progress	10,000
Total assets	<u>30,111</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	17,972
Deferred outflows related to pension	261,383
Total assets and deferred outflows of resources	<u>309,466</u>
LIABILITIES	
Current Liabilities:	
Accounts Payable	4,235
Personal loan	10,000
Line of credit	19,767
Accrued salaries and benefits	20,881
Noncurrent liabilities:	
Notes payable, current portion	1,196
Notes payable	-
Net OPEB liability	23,098
Net pension liability	462,467
Total liabilities	<u>541,644</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	35
Deferred inflows related to pension	287,608
Total liabilities and deferred inflows of resources	<u>829,287</u>
NET POSITION	
Net investment in capital assets	10,000
Restricted for emergencies	12,900
Unrestricted	(542,721)
Total net position	<u>\$ (519,821)</u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

STATEMENT OF ACTIVITIES

Year ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instructional services	\$ 429,323	\$ 86,521	\$ 150,900	\$ -	\$ (191,902)
Support services	291,570	13,173	-	7,485	(270,912)
Total governmental activities	<u>\$ 720,893</u>	<u>\$ 99,694</u>	<u>\$ 150,900</u>	<u>\$ 7,485</u>	<u>(462,814)</u>
General revenues:					
State equalization					<u>191,822</u>
Total general revenues					<u>191,822</u>
Change in net position					(270,992)
Net position - beginning					<u>(248,829)</u>
Net position - ending					<u>\$ (519,821)</u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2019

	<u>General</u>
ASSETS	
Cash	\$ 122
Cash held by others	3,055
Grants receivable	11,560
Accounts receivable	2,874
Deposits	<u>2,500</u>
Total assets	<u>\$ 20,111</u>
LIABILITIES AND FUND EQUITY	
Liabilities	
Accounts payable	\$ 4,235
Short term loan	10,000
Alpine bank line of credit	19,767
Accrued salaries and benefits	<u>20,881</u>
Total liabilities	<u>54,883</u>
Fund Balance	
Nonspendable deposits	2,500
Restricted for TABOR	12,900
Unassigned	<u>(50,172)</u>
Total fund balance	<u>(34,772)</u>
Total liabilities and fund balance	<u>\$ 20,111</u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUND
TO THE STATEMENT OF NET POSITION

June 30, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Fund balance	\$ (34,772)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,000 and the accumulated depreciation is \$0	10,000
The amount by which deferred outflows of resources are more than deferred inflows of resources, both of which are not recorded in the funds	
Deferred outflows related to OPEB	17,972
Deferred outflows related to pension	261,383
Deferred inflows related to OPEB	(35)
Deferred inflows related to pension	(287,608)
Notes payable are recognized as other financing sources and debt service payments in the funds but is recognized as a liability in the statement of net position.	(1,196)
Net OPEB liability is not due and payable in the current period and, therefore, is not reported in the funds	(23,098)
Net pension liability is not due and payable in the current period and, therefore, is not reported in the funds	(462,467)
Total net position - governmental activities	<u>\$ (519,821)</u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

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

Year ended June 30, 2019

	<u>General</u>
Revenues	
Local sources	
Tuition and scholarships	\$ 99,696
Private grants and contributions	4,834
Miscellaneous income	3,230
Total local sources	<u>107,760</u>
State sources	
State equalization - direct pupil allocation	191,822
Grants	51,106
On-behalf PERA contribution	3,756
Total state sources	<u>246,684</u>
Federal sources	
Colorado Charter School Program grant	84,237
Grants	10,895
Total revenues	<u>449,576</u>
Expenditures	
Instructional	138,511
Supporting services	263,817
Principal payments	17,752
Interest expense	1,728
Capital outlay	31,665
Total expenditures	<u>453,473</u>
Excess of revenues over (under) expenditures	(3,897)
Change in fund balance	(3,897)
Fund balance, beginning of year	(30,875)
Fund balance, end of year	<u><u>\$ (34,772)</u></u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

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

Year ended June 30, 2019

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

Change in Fund Balance - Governmental Fund	\$ (3,897)
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 of capital outlay in excess of depreciation expense during the year.	6,666
In the statement of activities, the effect of the disposal of capital assets is recognized as a gain or loss.	(43,336)
Additions to long-term debt are recognized as other financing sources in the fund financial statements but recognized as long term debt in the government wide statement of net position. This is the effect of debt activity in the year.	
Principal payments	13,392
In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the pension plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension expense in the statement of activities was more than pension expenditures in the governmental funds.	
Pension expense	(242,601)
OPEB expense	(1,217)
Change in Net Position - Governmental Activities	<u>\$ (270,993)</u>

The accompanying notes are an integral part of this statement.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Monument View Montessori Charter School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school in Fruita, 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, 2020. The School began operations in the fall of 2017. 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

Monument View Montessori Charter School consists of a School established under the Charter Schools Act serving Pre-K-4 grade students. It is governed by an independently elected Board of Directors.

Monument View Montessori Charter School Building Corporation (“Building Corporation”) is a nonprofit organization that was formed exclusively for holding title and/or personal property for Monument View Montessori Charter School. The board of directors of the Building Corporation is the same as that of the School and the Building Corporation is dependent on the school to make debt payments on loans obtained to improve or secure facilities for the School. As such, the Building Corporation is a blended component unit of Monument View Montessori Charter School. All financial activity took place in the School’s general fund during 2019.

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. Monument View 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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are 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

Monument View Montessori Charter School
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

paper, repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

Receivables - At June 30, 2019, the School has accounts receivable of \$8,140 of which \$6,582 are due from students for tuition and fees. An allowance of \$5,266 has been recognized for those balances that have been outstanding for greater than 90 days.

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
Leasehold improvements	15 years

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.

Monument View Montessori Charter School
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

During the budget year, the Board of Directors has the option of changing and finalizing the budget for the fiscal year. One supplemental budget amendments was adopted during the fiscal year ended June 30, 2019 that increased budgeted expenditures by \$54,241.

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’s application for exempt status under Section 501(c)(3) of the Internal Revenue Code is pending. The School anticipates it will be exempt from income taxes because it meets all requirement under Section 501(c)(3). The School is required to file *Form 990: Return of Organization from Income Tax* annually while its application is pending.

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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.
- Modified the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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 the path to full funding in 30 years.

8. Other Post Employment Benefits

OPEB. Monument View Montessori Charter 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 outflow of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and addition 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 was \$122 as of June 30, 2019.

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE B – CASH AND INVESTMENTS - CONTINUED

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, 2019, the School had deposits of \$20,114, of which all was covered by federal depository insurance.

The cash reserve held by others for \$3,055 is a reserve for a loan issued by the Charter School Development Corporation (CSDC).

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

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

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

The School had no investments at June 30, 2019.

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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE C – FUND BALANCES – CONTINUED

- *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.

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

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

The School’s general fund has a negative fund balance at June 30, 2019 of (\$22,561).

NOTE D – CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital asset, not being depreciated:				
Construction in progress	\$ –	\$ 10,000	\$ –	\$ 10,000
Capital assets, being depreciated:				
Leasehold improvements	<u>50,003</u>	<u>–</u>	<u>(50,003)</u>	<u>–</u>
Total capital assets, being depreciated	50,003	–	(50,003)	–
Less accumulated depreciation:				
Equipment	<u>(3,334)</u>	<u>(3,334)</u>	<u>6,668</u>	<u>–</u>
Total accumulated depreciation	<u>(3,334)</u>	<u>(3,334)</u>	<u>6,668</u>	<u>–</u>
Total capital assets, being depreciated, net	<u>46,669</u>	<u>(3,334)</u>	<u>(43,335)</u>	<u>–</u>
Total capital assets	<u>\$ 46,669</u>	<u>\$ 6,666</u>	<u>\$ (43,335)</u>	<u>\$ 10,000</u>

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE D – CAPITAL ASSETS - COTINUED

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

Governmental activities:	
Instructional services	\$ 3,334
Total depreciation expense	<u>\$ 3,334</u>

NOTE E –DEBT

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

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Decreases</u>	<u>Balance June 30, 2019</u>	<u>Due in one year</u>
Private note payable	\$ 8,100	\$ –	\$ (8,100)	\$ –	\$ –
CSDC Loan	6,489	5,022	(12,707)	1,196	1,196
Net OPEB liability	25,043	–	(1,945)	23,098	–
Net pension liability	<u>1,096,653</u>	–	<u>(634,186)</u>	<u>462,467</u>	–
	<u>\$1,136,285</u>	<u>\$ 5,022</u>	<u>\$ (656,938)</u>	<u>\$ 486,761</u>	<u>\$ –</u>

The School had an interest free note with an individual whose child attends the School. The initial note was \$18,700 and was loaned during the year ended June 30, 2017. An additional \$15,000 was loaned to the School in fiscal year 2018. The remaining balance on the note was paid off during 2019.

The Building Corporation entered into a loan agreement with Charter Schools Development Corporation (“CSDC”) on July 10, 2017. The loan was provided to finance building improvements at the property being leased by the School in Fruita, Colorado. The note was paid off in full during fiscal year 2019 and another note was entered into on July 1, 2018 for \$13,903 to be paid off in full over a one year period. CSDC created a reserve from the proceeds of the note issued in July 2017 in the amount of \$3,055 which remains on the balance sheet at June 30, 2019. In July 2019, the school entered into another loan agreement with CSDC.

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE E – DEBT – CONTINUED

Short-term debt

The School’s short term debt activity was as follows during the year:

	Balance June 30, 2018	Additions	Decreases	Balance June 30, 2019	Due in one year
Private notes payable	\$ –	\$ 23,719	\$ (13,719)	\$ 10,000	\$ 10,000
Line of Credit	18,798	51,508	(50,539)	19,767	19,767
CSI Loan	<u>6,568</u>	<u>–</u>	<u>(6,568)</u>	<u>–</u>	<u>–</u>
	<u>\$ 25,366</u>	<u>\$ 75,227</u>	<u>\$ (70,826)</u>	<u>\$ 29,767</u>	<u>\$ 29,767</u>

The line of credit with Alpine bank has an available balance of \$20,000 and carries of interest rate of 8%.

The advance from CSI in the amount of \$6,568 was a short term loan to assist in ongoing operations of the School during fiscal year 2018 and was repaid from per pupil revenue in fiscal year 2019. This was an interest-free note.

The private notes payable were provided by individuals whose children attend the school and were used for operations and capital projects during the year. These are interest free short-term notes. Subsequent to year-end, one parent acquired a \$35,000 bridge loan for the school to complete necessary capital improvements for the School’s new location.

NOTE F – OPERATING LEASE

The School entered into an operating lease on May 1, 2019 for a building in Fruita that will be used to house the School. The School ended its previous lease on June 30, 2019. The lease is for a term of 5 years with monthly lease payments of \$5,000. Total lease payments over the remaining term of the lease are as follows:

2020	\$ 60,000
2021	60,000
2022	60,000
2023	60,000
2024	<u>50,000</u>
	<u>\$ 290,000</u>

Lease expense for the year ended June 30, 2019 was \$36,745.

Monument View Montessori Charter School
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- 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% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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, 2019: Eligible employees, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total employer contribution rate to the SCHDTF	19.13%	19.13%

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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 \$34,768 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

liability to December 31, 2018. 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 and the State as a nonemployer contributing entity.

At June 30, 2019, the School reported a liability of \$462,472 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a non-employer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportional share of the net pension liability	\$	462,472
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School		55,630
Total	\$	518,102

At December 31, 2018, the School's proportion was 0.0026117945%, which was a decrease of 0.0007796044% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized pension expense of \$277,694. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 15,688	\$ –
Changes of assumptions or other inputs	86,322	287,608
Net difference between projected and actual earnings on pension plan investments	25,208	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	118,103	–
Contributions subsequent to the measurement date	16,062	–
Total	\$ 261,383	\$ 287,608

\$16,062 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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal-Year Ending June 30,	
2020	\$ 138,489
2021	(79,638)
2022	(114,927)
2023	<u>13,789</u>
	<u>\$ (42,287)</u>

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 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

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the period 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 rate of return on pension plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 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:

- 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%.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Fund are fully funded.
- 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. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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 (6.25 percent) or 1-percentage point higher (8.25 percent) than the current rate:

	Sensitivity of the NPL		
Discount rate:	6.25%	7.25%	8.25%
Proportionate share of the net pension liability	\$ 587,954	\$ 462,472	\$ 357,171

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/investment/pera-financial-reports.

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.

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

DPS Benefit Structure

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

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

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 District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the school were \$1,760 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$23,098 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The School's proportion of the net OPEB liability was based on School's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

At December 31, 2018, the School’s proportion was .00169768 percent, which was a decrease of .0002292993 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$2,977. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resource	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 84	\$ 35
Changes of assumptions or other inputs	162	-
Net difference between projected and actual earning on OPEB plan investments	133	-
Changes in proportion and differences between contributions recognized and proportional share of contributions	14,323	-
Contributions subsequent to the measurement date	813	-
Total	\$ 15,515	\$ 35

\$813 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:

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Year ended June 30, 2018:	
2020	\$3,671
2021	3,671
2022	3,671
2023	3,763
2024	(88)
Thereafter	(21)

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	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the period 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

Monument View Montessori Charter School
 NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

All costs are subject to the health care cost trend rates, as discussed below.

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. Effective December 31, 2017, 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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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.

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:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- 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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

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

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

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$22,460	\$23,098	\$23,831

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, 2018, 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.
- 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.

Monument View Montessori Charter School

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$25,844	\$23,098	\$20,750

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.

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, 2019, the School paid \$8,757 in related insurance premiums to insurers.

Monument View Montessori Charter School
NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (TABOR Amendment), 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 TABOR Amendment requires the School to establish a reserve of 3% of fiscal year spending for declared emergencies. At June 30, 2019, the District should have \$12,900 in TABOR reserves. The negative fund balance in the general fund may be a violation of this requirement.

NOTE K – COMMITMENTS AND CONTINGENCIES

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.

The school elected to not pay for unemployment insurance during fiscal years 2017 and 2018 and has incurred a liability for former employees who filed for unemployment benefits after leaving the School. The total amount of the liability at June 30, 2019 is \$15,106.

NOTE L – RELATED PARTY TRANSACTIONS

As noted in Note E, the School borrowed money in 2019 for a total of \$23,719 from individuals whose children attend the School. These short term notes were interest free and at June 30, 2019 there is one note with an outstanding balance of \$10,000.

NOTE M – NEGATIVE FUND BALANCE

The School has a negative fund balance in its general fund at June 30, 2019 in the amount of (\$34,772). This includes a restricted balance of \$12,900 and a negative unassigned balance (\$50,172).

NOTE N – SUBSEQUENT EVENTS

On July 10, 2019 the Monument View Montessori Charter School Building Corporation entered into a loan agreement with the Charter School Development Corporation for \$100,000 to fund the leasehold improvements at the School's new location in Fruita. This is a five year loan that is paid in equal monthly installments through April 2024. Additionally, there was another short term bridge loan provided to the school in July 2019 from a parent for \$35,000.

Monument View Montessori Charter School

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

Year ended June 30, 2019

	Budget		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 129,888	\$ 119,888	\$ 107,760	\$ (12,128)
State source	360,367	353,490	246,684	(106,806)
Federal sources	13,046	13,046	95,132	82,086
Total revenues	<u>503,301</u>	<u>486,424</u>	<u>449,576</u>	<u>(36,848)</u>
Expenditures				
Instructional services	239,571	229,440	138,511	90,929
Supporting services	142,302	156,201	263,817	(107,616)
Principal payments	21,500	22,103	17,752	4,351
Interest expense	-	2,200	1,728	472
Capital outlay	47,670	47,670	31,665	16,005
Total expenditures	<u>451,043</u>	<u>457,614</u>	<u>453,473</u>	<u>4,141</u>
Excess of revenues over (under) expenditures	52,258	28,810	(3,897)	(32,707)
Other financing sources				
Proceeds from notes payable	8,200	8,200	-	(8,200)
Change in fund balance	60,458	37,010	(3,897)	(40,907)
Fund balance beginning of year	<u>(30,875)</u>	<u>(30,875)</u>	<u>(30,875)</u>	<u>-</u>
Fund balance end of year	<u>\$ 29,583</u>	<u>\$ 6,135</u>	<u>\$ (34,772)</u>	<u>\$ (40,907)</u>

Monument View Montessori Charter School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2019

	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, 2017	0.00339%	\$ 1,096,653	\$ 70,887	1547%	44%
December 31, 2018	0.00261%	\$ 462,472	\$ 143,584	322%	57%

Monument View Montessori Charter School

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	\$ 22,914	\$ 22,914	\$ -	\$ 121,635	19%
June 30, 2019	\$ 34,768	\$ 34,768	\$ -	\$ 172,547	20%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

For the measurement period ended December 31, 2018, the discount rate changed from 4.78% to 7.25% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Monument View Montessori Charter School

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2019

	Employer proportion of Net OPEB Liability	Employer proportionate share of Net OPEB Liability	Employer covered payroll	Employer proportionate share of Net OPEB Liability as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2017	0.00193%	\$ 25,043	\$ 70,887	35%	18%
December 31, 2018	0.00170%	\$ 23,098	\$ 143,584	16%	17%

Monument View Montessori Charter School

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	\$ 1,241	\$ 1,241	\$ -	\$ 121,635	1%
June 30, 2019	\$ 1,760	\$ 1,760	\$ -	\$ 172,547	1%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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.