

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2020



DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
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June 30, 2020

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

Independent Auditors' Report

Board of Directors
DCS Montessori Charter School
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the DCS Montessori Charter School, a component unit of Douglas County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the DCS Montessori Charter School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the DCS Montessori Charter School as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
October 23, 2020



DCS Montessori Charter School
(A component unit of the Douglas County School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

As management of the **DCS Montessori Charter School (the School)**, we offer readers of the DCS Montessori Charter School financial statements this narrative overview and analysis of the financial activities of the DCS Montessori Charter School for the fiscal year ended June 30, 2020.

Financial Highlights

The combined liabilities and deferred inflows of the DCS Montessori Charter School and the Montessori Educational Foundation of Douglas County exceeded its combined assets and deferred outflows at the close of the most recent fiscal year by \$9,304,528 (negative net position), reflecting an increase in the net position of \$1,222,894 which is an improvement in the negative net position over the prior year. The negative net position is primarily due to the implementation of the Governmental Accounting Standards Board Statement (GASB) 68, a pension related accounting standard and GASB 75, other post-employment benefits (OPEB) standard. The School is now required to recognize its proportionate share of the unfunded pension obligation for the Public Employees' Retirement Association's School Division Trust Fund, which significantly improved over the prior year. The combined pension and OPEB impacts on net position are \$10,755,276 compared with \$11,825,288 in FY19.

The DCS Montessori Charter School General Fund ending balance increased by \$93,308 to \$1,323,195. This increase represents 1.6% of annual General Fund revenue and 7.6% of beginning fund balance. The increase exceeded the planned original budget surplus by \$80,350.

DCS Montessori Charter School received federal grant funding from the Coronavirus Relief Fund on June 15, 2020. The School was able to receive \$44,234 in FY20. The addition of these funds significantly affected our surplus of \$93,308.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the DCS Montessori Charter School's basic financial statements. The DCS Montessori Charter 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 DCS Montessori Charter School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant revenues and earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the DCS Montessori Charter School supported primarily by State Per-Pupil Revenue (PPR) or property taxes passed through from the Douglas County School District RE-1. The governmental activities of the DCS Montessori Charter School include instruction and supporting services expense.

The government-wide financial statements can be found on pages 3 and 4 of this report.

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 DCS Montessori Charter School, like other governmental units or charter schools, uses fund accounting 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, in addition to balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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.

DCS Montessori Charter School
(A component unit of the Douglas County School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

The DCS Montessori Charter School maintains one individual governmental fund, the General Fund.

The DCS Montessori Charter School Board approves an annual adopted and revised budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget and shown on page 39.

Proprietary Fund The Proprietary fund (Foundation) shows a positive net position of \$1,293. The overall net position of the Foundation improved again in FY20. The increase in net position of \$18,224 was primarily due to contributed capital, fundraising and investment earnings.

Notes to the financial statements The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 11-35.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the DCS Montessori Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by \$9,304,528 at the close of the most recent fiscal year. The negative balance in net position is due primarily to the adoption of GASB Statements 68 and 75, resulting in a net pension liability of \$6,543,463 and a net OPEB liability of \$321,761, representing the School's proportionate share of the plan's net pension and OPEB liabilities.

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(A component unit of the Douglas County School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2020

DCS Montessori Charter School and Foundation Net position at June 30, 2020 and 2019 respectively:

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2019	Business-Type Activities June 30, 2020	Business-Type Activities June 30, 2019
Cash and Investments	1,768,300	1,544,018	1,292,587	1,284,422
Other Assets	17,266	19,095	7,170	15,005
Capital Assets	126,260	84,910	6,089,583	6,328,250
Total Assets	1,911,826	1,648,023	7,389,340	7,627,677
Deferred Outflows of Resources	806,141	2,594,537	334,251	362,106
Current Liabilities	222,020	333,226	159,088	163,315
Other Liabilities	240,351	0	7,563,210	7,843,399
Net Pension/OPEB Liability	6,865,224	8,179,250	0	0
Total Liabilities	7,327,595	8,512,476	7,722,298	8,006,714
Deferred Inflows of Resources	4,696,193	6,240,575	0	0
Net Position				
Net Inv. in Capital Assets	126,260	84,910	(1,139,376)	(1,153,043)
Restricted	173,789	166,605	980,243	985,608
Unrestricted	(9,605,870)	(10,762,006)	160,426	150,504
Total Net Position	(9,305,821)	(10,510,491)	1,293	(16,931)

The majority of DCS Montessori Foundation's cash and investments resides with the trustee. All cash and investments represent 17.5% of Foundation assets. The Foundation's capital assets represent 82.4% of its Total Assets. The remaining Foundation assets represent prepaid expenses and accounts receivable. The School has set aside the required reserves and is Tabor compliant. Cash and investments represent 92.5% of the School's assets. The School's liabilities include the net pension liability (89.3% of total liabilities), other post-employment benefits (4.4%), unearned revenue (3.3%), and accounts payable/accrued salaries and benefits (3%).

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**DCS Montessori Charter School and Foundation Change in Net Position
For the Year Ended June 30, 2020 and 2019 respectively:**

	Governmental Activities June 30, 2020	Governmental Activities June 30, 2019	Business-Type Activities June 30, 2020	Business-Type Activities June 30, 2019
Program Revenue:				
Charges for Services	\$ 1,297,609	\$ 1,762,590	\$0	\$0
Operating Grants and Contributions	60,817	30,556	0	0
Total Program Revenue	1,358,426	1,793,146	0	0
General Revenue:				
Per Pupil Revenue	3,688,450	3,255,074	0	0
Mill Levy Revenue	524,901	496,742	0	0
Capital Construction	126,040	125,128	0	0
Interest Earnings	39,846	35,956	17,603	40,065
Grants and Contributions	2,587	8,537	152,251	192,972
Not Restricted				
Miscellaneous	5,344	43,336	0	0
Total General Revenue	4,387,168	3,964,773	169,854	233,037
Total Revenue	5,745,594	5,757,919	169,854	233,037
Expenses:				
Current:				
Instruction	1,848,968	2,304,942	0	0
Supporting Services	2,080,367	1,926,426	0	0
Building Corporation	0	0	763,219	826,251
Total Expenses	3,929,335	4,231,368	763,219	826,251
Transfers In (Out)	(611,589)	(636,253)	611,589	636,253
Increase (Dec.) in Net Position	1,204,670	890,298	18,224	43,039
Beginning Net Position	(10,510,491)	(11,400,789)	(16,931)	(59,970)
Ending Net Position	\$ (9,305,821)	\$ (10,510,491)	\$ 1,293	\$ (16,931)

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Net position, which is a very good indicator of financial performance, improved during FY20 for the Governmental Activities/DCS Montessori Charter School by \$1,204,670. The increase was primarily due to the decrease in the Net Pension and OPEB liability and their related deferred outflows and inflows, which accounted for 89% of the overall change in net position. The net position for the Business-Type Activities/Foundation increased for the same period ending June 30, 2020 by \$18,224 primarily due to interest earnings, fundraising activity and contributed capital from the School. On a combined basis, the net position improved by \$1,222,894.

Financial Analysis of the School's Funds

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

Governmental Funds The focus of the DCS Montessori Charter School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the DCS Montessori Charter School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of, or during, the fiscal year. As of June 30, 2020, the School's general fund reported an ending fund balance of \$1,323,195, an increase of 7.6% or \$93,308. The increase was planned but significantly better than the original budget surplus of \$12,958.

Foundation – Business-Type Activities Net position increased primarily because of interest earnings, fundraising and contributed capital from the School. The increase of \$18,224 in net position brought the ending net position to a positive \$1,293. This is the first time the Foundation has had a positive net position.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Total FY20 final expenditure appropriations for the general fund were \$5,792,977 with actual expenditures of \$5,777,136 resulting in a positive variance of \$15,841.

Capital Asset and Debt Administration:

Capital Assets Total Government-Wide capital assets including land totaled \$10,772,256. Total depreciation taken for the period ending June 30, 2020 was \$291,033. Accumulated depreciation was \$4,556,413 which resulted in net capital assets of \$6,215,843. Asset additions included parking lot renovations, a vehicle and compressor totaling \$93,716.

DCS Montessori Charter School
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Long-term Debt The School participates in a long-term lease agreement with the Montessori Educational Foundation of Douglas County. Annual rental payments are made to the Foundation ranging from \$633,925 to \$728,812. The prior debt issued for the School's facility (2002) was refunded in July of 2012 with two major purposes: 1) To lower the annual debt service and, 2) To produce funding for the new Middle School Program's expansion and capital construction needs. As part of the refunding, a Project Fund of \$966,709 was created to support the construction of the new Middle School building. Additionally, to free-up funds for the Middle School Program's initial capital needs, the first three years of debt service was approximately \$50,000 lower than the average annual debt service for future years.

The Foundation services the new debt with interest accruing at rates ranging from 2% to 5%. The debt matures in July 2037. \$280,000 in debt was retired in FY20. Please refer to note 4 in the Notes to the Financial Statements.

Economic Factors and Next Year's Budget

Enrollment and Per Pupil Revenue remain the key components driving the budget preparation process each year. Funding increases the last three years have helped to chip away at the State's unfunded Budget Stabilization factor (currently \$572.4 million). Enrollment has been relatively flat the last five years as the School is operating at capacity. FY16, FY17, FY18, FY19 and FY20 K- 8 enrollment was 444, 439, 441, 445 and 452 respectively. The enrollment excludes preschool which runs close to 104 students.

The Per Pupil Revenue (PPR) for FY21 decreased on average 5.4% State wide due to the pandemic. Douglas County School District PPR declined from \$8,217 to \$7,763 or 5.5%. Even though we are experiencing a rebound in Colorado's economy, it is very likely K-12 funding will be subject to further reductions in FY22. The State revenue collections include corporate and individual income taxes, excise taxes, and sales tax. All tax collections have declined sharply due to temporary and permanent business closures. As we have seen this year (FY21), Federal support backfilled much of the reduction in PPR. Clearer direction on K-12 funding will be available with the Governor's budget due to be released in November.

Requests for Information

This financial report is designed to provide a general overview of the DCS 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 DCS Montessori Charter School, Rachel Bonin, 311 Castle Pines Parkway, Castle Pines, CO 80108.

Basic Financial Statements

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 1,768,300	\$ 158,569	\$ 1,926,869
Restricted Cash and Investments	-	1,134,018	1,134,018
Accounts Receivable	2,630	5,313	7,943
Inventory	-	-	-
Prepaid Expenses	14,636	1,857	16,493
Capital Assets, <i>Not Being Depreciated</i>	-	508,415	508,415
Capital Assets, <i>Net of Accumulated Depreciation</i>	126,260	5,581,168	5,707,428
Total Assets	1,911,826	7,389,340	9,301,166
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	785,719	-	785,719
OPEB, <i>Net of Accumulated Amortization</i>	20,422	-	20,422
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	334,251	334,251
Total Deferred Outflows of Resources	806,141	334,251	1,140,392
Liabilities			
Accounts Payable	30,087	-	30,087
Accrued Salaries and Benefits	191,933	-	191,933
Unearned Revenues	240,351	-	240,351
Accrued Interest Payable	-	159,088	159,088
Noncurrent Liabilities			
Due Within One Year	-	300,000	300,000
Due in More Than One Year	-	7,263,210	7,263,210
Net Pension Liability	6,543,463	-	6,543,463
Net OPEB Liability	321,761	-	321,761
Total Liabilities	7,327,595	7,722,298	15,049,893
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	4,629,815	-	4,629,815
OPEB, <i>Net of Accumulated Amortization</i>	66,378	-	66,378
Total Deferred Inflows of Resources	4,696,193	-	4,696,193
Net Position			
Net Investment in Capital Assets	126,260	(1,139,376)	(1,013,116)
Restricted for:			
Debt Service	-	828,135	828,135
Repair and Replacement	-	152,108	152,108
Emergencies	173,789	-	173,789
Unrestricted	(9,605,870)	160,426	(9,445,444)
Total Net Position	\$ (9,305,821)	\$ 1,293	\$ (9,304,528)

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ (1,848,968)	\$ 1,248,857	\$ 66,068	\$ (534,043)	\$ -	\$ (534,043)
Supporting Services	(2,080,367)	48,752	(5,251)	(2,036,866)	-	(2,036,866)
Total Governmental Activities	<u>(3,929,335)</u>	<u>1,297,609</u>	<u>60,817</u>	<u>(2,570,909)</u>	<u>-</u>	<u>(2,570,909)</u>
<i>Business-Type Activities</i>						
Foundation	(763,219)	-	-	-	(763,219)	(763,219)
Total Primary Government	<u>\$ (4,692,554)</u>	<u>\$ 1,297,609</u>	<u>\$ 60,817</u>	<u>(2,570,909)</u>	<u>(763,219)</u>	<u>(3,334,128)</u>
General Revenues						
Per Pupil Revenue				3,688,450	-	3,688,450
District Mill Levy				524,901	-	524,901
Capital Construction				126,040	-	126,040
Grants and Contributions not Restricted to Specific Programs				2,587	152,251	154,838
Investment Income				39,846	17,603	57,449
Other				5,344	-	5,344
Transfers				<u>(611,589)</u>	<u>611,589</u>	<u>-</u>
Total General Revenues and Transfers				<u>3,775,579</u>	<u>781,443</u>	<u>4,557,022</u>
Change in Net Position				1,204,670	18,224	1,222,894
Net Position, Beginning of year				<u>(10,510,491)</u>	<u>(16,931)</u>	<u>(10,527,422)</u>
Net Position, End of year				<u>\$ (9,305,821)</u>	<u>\$ 1,293</u>	<u>\$ (9,304,528)</u>

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Balance Sheet
 Governmental Fund
 June 30, 2020

	General
Assets	
Cash and Investments	\$ 1,768,300
Accounts Receivable	2,630
Prepaid Expenditures	14,636
 Total Assets	 \$ 1,785,566
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 30,087
Accrued Salaries and Benefits	191,933
Unearned Revenues	240,351
 Total Liabilities	 462,371
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	14,636
Committed to:	
Legal Costs	5,000
Special Education	60,000
Restricted for Emergencies	173,789
Unrestricted, Unassigned	1,069,770
 Total Fund Balance	 1,323,195
 Total Liabilities and Fund Balance	 \$ 1,785,566

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

Total Fund Balance of the Governmental Fund	\$ 1,323,195
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	126,260
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Net pension liability	(6,543,463)
Pension-related deferred outflows of resources	785,719
Pension-related deferred inflows of resources	(4,629,815)
Net OPEB liability	(321,761)
OPEB-related deferred outflows of resources	20,422
OPEB-related deferred inflows of resources	(66,378)
 Total Net Position of Governmental Activities	 \$ (9,305,821)

DCS Montessori Charter School
 (A Component Unit of Douglas County School District Re. 1)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2020

	General
Revenues	
<i>Local Sources</i>	
Per Pupil Revenue	\$ 3,688,450
District Mill Levy	524,901
Student Fees and Activities	1,248,857
Contributions	2,587
Rental Income	48,752
Investment Income	39,846
Other	5,344
<i>State Sources</i>	
Capital Construction	126,040
Grants	149,931
 Total Revenues	 5,834,708
 Expenditures	
Instruction	3,477,699
Supporting Services	2,299,437
 Total Expenditures	 5,777,136
 Excess of Revenues Over (Under) Expenditures	 57,572
 Other Financing Sources	
Transfers In	35,736
 Net Change in Fund Balance	 93,308
 Fund Balance, Beginning of Year	 1,229,887
 Fund Balance, End of year	 \$ 1,323,195

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
 Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance
 of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2020

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

Net Change in Fund Balance of the Governmental Fund	\$	93,308
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(12,756)
Capital outlay		54,106
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.</p>		
Net pension liability		1,246,715
Pension-related deferred outflows of resources		(1,780,685)
Pension-related deferred inflows of resources		1,601,509
Net OPEB liability		67,311
OPEB-related deferred outflows of resources		(7,711)
OPEB-related deferred inflows of resources		(57,127)
		(57,127)
Change in Net Position of Governmental Activities	\$	1,204,670

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Statement of Net Position
 Proprietary Fund
 June 30, 2020

	Foundation
Assets	
<i>Current Assets</i>	
Cash and Investments	\$ 158,569
Restricted Cash and Investments	1,134,018
Accounts Receivable	5,313
Prepaid Expenses	1,857
Total Current Assets	1,299,757
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	508,415
Capital Assets, <i>Net of Accumulated Depreciation</i>	5,581,168
Total Noncurrent Assets	6,089,583
Total Assets	7,389,340
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	334,251
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	159,088
Loan Payable, <i>Current Portion</i>	300,000
Total Current Liabilities	459,088
<i>Noncurrent Liabilities</i>	
Loan Payable	7,263,210
Total Liabilities	7,722,298
Net Position	
Net Investment in Capital Assets	(1,139,376)
Restricted for:	
Debt Service	828,135
Repair and Replacement	152,108
Unrestricted	160,426
Total Net Position	\$ 1,293

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Statement of Revenues, Expenses and Changes in Net Position
 Proprietary Fund
 For the Year Ended June 30, 2020

	Foundation
Operating Revenues	
Lease Income	\$ 647,325
Contributions	112,641
Total Operating Revenues	759,966
Operating Expenses	
Supporting Services	107,333
Depreciation	278,277
Debt Service	
Interest	377,609
Total Operating Expenses	763,219
Net Operating Income	(3,253)
Nonoperating Revenues	
Investment Income	17,603
Net Income Before Capital Contributions and Transfers	14,350
Transfers Out	(35,736)
Contributed Capital Assets	39,610
Change in Net Position	18,224
Net Position, Beginning of year	(16,931)
Net Position, End of year	\$ 1,293

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2020

	Foundation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 647,325
Cash Received from Contributions and Fundraising	112,641
Payments to Vendors and Recipients	(95,956)
Loan Principal Payments	(280,000)
Loan Interest Payments	(354,113)
	29,897
 Net Cash Provided (Used) by Operating Activities	 29,897
Cash Flows From Capital and Related Financing Activities	
Acquisition of Capital Assets	-
	-
Cash Flows From Investing Activities	
Investment Income Received	14,004
Payments to Other Funds	(35,736)
	(21,732)
 Net Cash Provided (Used) by Investing Activities	 (21,732)
Net Change in Cash and Cash Equivalents	8,165
Cash and Cash Equivalents, Beginning of year	1,284,422
Cash and Cash Equivalents, End of year	\$ 1,292,587
Reconciliation of Net Operating Income to Net Cash Provided (Used) by Operating Activities:	
Net Operating Income	\$ (3,253)
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	278,277
Amortization of Premium	(189)
Amortization of Loss on Debt Refunding	27,855
Changes in Assets and Liabilities	
Inventory	11,624
Prepaid Expenses	(190)
Accounts Payable	(57)
Accrued Interest Payable	(4,170)
Loan Payable	(280,000)
	29,897
 Net Cash Provided (Used) by Operating Activities	 \$ 29,897
Noncash Capital Transactions	
Contributed Capital Assets	\$ 39,610

See Notes to Financial Statements.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies

The DCS Montessori Charter School (the School) was organized in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District) in the State of Colorado.

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

Reporting Entity

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

The School includes the Montessori Educational Foundation of Douglas County (the Foundation) within its reporting entity. The Foundation is a non-profit organization established to provide educational activities that are not typically budgeted in the School's fiscal plan. The Foundation nurtures relationships between business, educational, governmental, and charitable organizations for the purpose of enhancing education for the School. The Foundation was also formed to obtain financing for School facilities which may not be available to the School directly. The Foundation is blended into the School's financial statements as an enterprise fund. Separate financial statements are not issued.

The School is a component unit of the District. The School's charter was authorized by the District and the majority of the School's funding is provided by the District.

Government-wide and Fund Financial Statements

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

Foundation - This fund is used to account for the activities of the Foundation, including fundraising and the financing of educational facilities.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

Inventory - Grocery scrip inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed.

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

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	15 years
Buildings and Improvements	40 years
Furniture and Equipment	5 - 7 years

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Compensated Absences - Employees are allowed to accumulate unused personal/sick time. Employees may elect to be paid for the accumulated unused personal/sick time at the conclusion of the school year at the rate of \$80 per day for salaried staff and \$40 for every four hours for classified staff. Accumulated but unpaid personal/sick time is not paid upon termination of employment. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

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

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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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

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

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

Risk Management

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

Subsequent Events

The School has evaluated subsequent events through October 23, 2020, the date the financial statements were available to be issued.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 2: Cash and Investments

Cash and investments at June 30, 2020, consisted of the following:

Deposits	\$ 164,028
Investments	<u>2,896,859</u>
 Total	 <u>\$ 3,060,887</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,926,869
Restricted Cash and Investments	<u>1,134,018</u>
 Total	 <u>\$ 3,060,887</u>

Deposits

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

Investments

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

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 2: Cash and Investments (Continued)

Investments (Continued)

At June 30, 2020, the School and the Foundation had the following investments:

Investment Type	S&P Rating	Investment Maturities (in Years)			Total
		Less than 1	1 - 5	More Than 5	
Uninvested Cash	NA	\$ 446	\$ -	\$ -	\$ 446
Brokered Certificate of Deposit	NA	61,098	170,397	-	231,495
U.S. Agency Securities	AA+	140,728	-	-	140,728
Local Government Investment Pool	AAAm	2,524,190	-	-	2,524,190
Total		<u>\$ 2,726,462</u>	<u>\$ 170,397</u>	<u>\$ -</u>	<u>\$ 2,896,859</u>

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2020, the investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The external investment pool was reported at the net asset value per share.

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

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

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2020, the School's investment in the Federal National Mortgage Association represented 5% of total investments.

Local Government Investment Pool - At June 30, 2020, the School and the Foundation had \$2,523,990 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. CSAFE is rated AAAm by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 2: Cash and Investments (Continued)

Restricted Cash and Investments

Cash and investments of \$1,134,018 have been restricted by the Foundation's loan agreement for future debt service and facility repair and replacement.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2020, are summarized below:

Governmental Activities	Balance			Balance
Capital Assets, <i>Being Depreciated</i>	6/30/19	Additions	Deletions	6/30/20
Equipment	\$ 131,144	\$ 54,106	\$ -	\$ 185,250
Accumulated Depreciation	(46,234)	(12,756)	-	(58,990)
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 84,910</u>	<u>\$ 41,350</u>	<u>\$ -</u>	<u>\$ 126,260</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

Business-Type Activities	Balance			Balance
Capital Assets, <i>Not Being Depreciated</i>	6/30/19	Additions	Deletions	6/30/20
Land	\$ 508,415	\$ -	\$ -	\$ 508,415
Capital Assets, <i>Being Depreciated</i>				
Land Improvements	322,416	33,461	-	355,877
Buildings and Improvements	9,373,625	-	-	9,373,625
Furniture and Equipment	342,940	6,149	-	349,089
Total Capital Assets, <i>Being Depreciated</i>	<u>10,038,981</u>	<u>39,610</u>	<u>-</u>	<u>10,078,591</u>
Less Accumulated Depreciation				
Land Improvements	(127,849)	(21,495)	-	(149,344)
Buildings and Improvements	(3,830,375)	(241,722)	-	(4,072,097)
Furniture and Equipment	(260,922)	(15,060)	-	(275,982)
Total Accumulated Depreciation	<u>(4,219,146)</u>	<u>(278,277)</u>	<u>-</u>	<u>(4,497,423)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>5,819,835</u>	<u>(238,667)</u>	<u>-</u>	<u>5,581,168</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 6,328,250</u>	<u>\$ (238,667)</u>	<u>\$ -</u>	<u>\$ 6,089,583</u>

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 4: Long-Term Debt

Following is a summary of the long-term debt transactions for the year ended June 30, 2020.

Business-Type Activities	Balance 6/30/19	Additions	Payments	Balance 6/30/19	Due Within One Year
2012 Loan	\$ 7,840,000	\$ -	\$ 280,000	\$ 7,560,000	\$ 300,000
Premium	3,399	-	189	3,210	-
Total	\$ 7,843,399	\$ -	\$ 280,189	\$ 7,563,210	\$ 300,000

In July 2012, the Colorado Educational and Cultural Facilities Authority issued \$9,420,000 Charter School Refunding and Improvement Bonds. Proceeds were used to refund the outstanding Charter School Revenue Refunding Bonds, Series 2002, originally loaned to the Foundation to purchase and construct the School's education facilities, and to finance the construction of facilities to accommodate the middle school component of the School.

The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 2% to 5%. Principal and interest payments are due semi-annually on January 15 and July 15, through July 15, 2037.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	\$ 300,000	\$ 344,663	\$ 644,663
2022	305,000	334,913	639,913
2023	315,000	324,919	639,919
2024	330,000	312,800	642,800
2025	350,000	299,400	649,400
2026-2030	1,950,000	1,266,100	3,216,100
2031-2035	2,505,000	733,875	3,238,875
2036-2038	1,505,000	115,000	1,620,000
Total	\$ 7,560,000	\$ 3,731,670	\$ 11,291,670

Note 5: Interfund Transactions

During the year ended June 30, 2020, the Foundation's trustee distributed excess interest earnings of \$35,736 to the School.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the School participate in the SCHDTF. 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 financial report (CAFR) that includes information on the SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SCHDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

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

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

As of December 31, 2019, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 of 1.25 percent adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the annual increase by up to 0.25 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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

Contributions - The School, eligible employees 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. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019, through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019, through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (see Note 7). 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. § 24-51-414, 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. During the year ended June 30, 2020, the direct distribution for the SCHDTF was \$127,367,213.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This Bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. The School's contributions to the SCHDTF for the year ended June 30, 2020, were \$428,637, equal to the required contributions.

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

At June 30, 2020, the School reported a net pension liability of \$6,543,463, representing 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 DCS Montessori Charter School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with DCS Montessori Charter School was as follows:

School Proportionate share of net pension liability	\$ 7,373,425
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(829,962)</u>
Proportionate share of the net pension liability	<u>\$ 6,543,463</u>

The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2019, the School's proportion was 0.043798918%, which was a decrease of 0.0001958533% from its proportion measured at December 31, 2018.

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2020

Note 6: Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2020, the School recognized a pension benefit of \$638,660 which included \$26,253 of support from the State as a nonemployer contributing entity. At June 30, 2020, 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
Differences between expected and actual experience	\$ 356,621	\$ -
Changes of assumptions and other inputs	186,807	2,968,052
Net difference between projected and actual earnings on plan investments	-	775,141
Changes in proportion	32,832	886,622
Contributions subsequent to the measurement date	<u>209,459</u>	<u>-</u>
Total	<u>\$ 785,719</u>	<u>\$ 4,629,815</u>

School contributions subsequent to the measurement date of \$209,459 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (2,238,805)
2022	(1,558,743)
2023	7,673
2024	<u>(263,679)</u>
Total	<u>\$ (4,053,555)</u>

DCS Montessori Charter School
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Note 6: Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	ad hoc

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2018, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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Note 6: Defined Benefit Pension Plan (Continued)

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

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

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

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

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	<u>100.00%</u>	

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%.

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Note 6: Defined Benefit Pension Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. 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 Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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Note 6: Defined Benefit Pension Plan (Continued)

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 8,678,033	\$ 6,543,463	\$ 4,751,306

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

Note 7: Postemployment Healthcare Benefits

General Information

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

DCS Montessori Charter School
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Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

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

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. 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.

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Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (see Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and DCS Montessori Charter School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School for the year ended June 30, 2020, was \$22,549, equal to the required amount.

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

At June 30, 2020, the School reported a net OPEB liability of \$321,761, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2019, relative to the contributions of all participating employers. At December 31, 2019, the School's proportion was 0.0286264578%, which was an increase of 0.0000296097% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$20,185. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,067	\$ 54,068
Changes of assumptions and other inputs	2,669	-
Net difference between projected and actual earnings on plan investments	-	5,370
Changes in proportion	5,672	6,940
Contributions subsequent to the measurement date	11,014	-
 Total	 \$ 20,422	 \$ 66,378

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Note 7: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of \$11,014 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2021	\$ (11,340)
2022	(11,340)
2023	(9,784)
2024	(13,395)
2025	(10,478)
Thereafter	<u>(633)</u>
Total	<u>\$ (56,970)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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.

DCS Montessori Charter School
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June 30, 2020

Note 7: Postemployment Healthcare Benefits (Continued)

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed and reviewed by PERA's actuary as needed.

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 industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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.

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. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled 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.

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June 30, 2020

Note 7: Postemployment Healthcare Benefits (Continued)

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following health care costs assumptions were updated 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 ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 6).

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 OPEB liability was 7.25%. 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:

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Note 7: Postemployment Healthcare Benefits (Continued)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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% 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%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 363,815	\$ 321,761	\$ 285,795

DCS Montessori Charter School
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 Notes to Financial Statements
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Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 2.5% to 6.5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ <u>314,118</u>	\$ <u>321,761</u>	\$ <u>330,593</u>

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

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2020, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

TABOR Amendment

In November 1992, Colorado voters approved the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2020, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$173,789.

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June 30, 2020

Note 9: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

DCS Montessori Charter School
 (A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2020

	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability		
School's Proportion of the Net Pension Liability	0.043798918%	0.0439947713%
School's Proportionate Share of the Net Pension Liability	\$ 6,543,463	\$ 7,790,178
School's Covered-Employee Payroll	\$ 2,573,972	\$ 2,418,629
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%
	6/30/20	6/30/19
School Contributions		
Statutorily Required Contribution	\$ 428,637	\$ 477,515
Contributions in Relation to the Statutorily Required Contribution	\$ (428,637)	\$ (477,515)
Contribution Deficiency (Excess)	\$ 2,210,694	\$ 2,496,155
School's Covered-Employee Payroll	\$ 2,210,694	\$ 2,496,155
Contributions as a Percentage of Covered-Employee Payroll	19.39%	19.13%

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

(Continued)

DCS Montessori Charter School
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 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2020
 (Continued)

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0517343960%	0.0502880739%	0.0484434783%	0.0479266287%	0.0491429554%
School's Proportionate Share of the Net Pension Liability	\$ 16,729,065	\$ 14,972,704	\$ 7,409,088	\$ 6,495,668	\$ 6,268,171
School's Covered-Employee Payroll	\$ 2,386,445	\$ 2,257,020	\$ 2,111,440	\$ 2,007,780	\$ 1,981,110
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 454,551	\$ 424,965	\$ 391,331	\$ 342,389	\$ 314,517
Contributions in Relation to the Statutorily Required Contribution	<u>(454,551)</u>	<u>(424,965)</u>	<u>(391,331)</u>	<u>(342,389)</u>	<u>(314,517)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 2,407,270	\$ 2,311,058	\$ 2,205,458	\$ 2,027,653	\$ 1,966,852
Contributions as a Percentage of Covered-Employee Payroll	18.88%	18.39%	17.74%	16.89%	15.99%

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

DCS Montessori Charter School
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 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado
 Health Care Trust Fund
 June 30, 2020

	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
Proportionate Share of the Net OPEB Liability			
School's Proportion of the Net OPEB Liability	0.0286264578%	0.0285968481%	0.0293952688%
School's Proportionate Share of the Net OPEB Liability	\$ 321,761	\$ 389,072	\$ 382,021
School's Covered Payroll	\$ 2,573,972	\$ 2,418,629	\$ 2,486,130
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	16%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%
	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>
School Contributions			
Statutorily Required Contribution	\$ 22,549	\$ 25,461	\$ 24,554
Contributions in Relation to the Statutorily Required Contribution	<u>(22,549)</u>	<u>(25,461)</u>	<u>(24,554)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,210,694	\$ 2,496,155	\$ 2,535,360
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	0.97%

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

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,798,120	\$ 3,711,812	\$ 3,688,450	\$ (23,362)
District Mill Levy	534,750	524,901	524,901	-
Student Fees and Activities	1,365,800	1,235,491	1,248,857	13,366
Contributions	-	-	2,587	2,587
Rental Income	40,000	47,037	48,752	1,715
Investment Income	17,500	32,166	39,846	7,680
Other	30,000	7,931	5,344	(2,587)
<i>State Sources</i>				
Capital Construction	119,000	126,040	126,040	-
Grants	-	-	149,931	149,931
<i>Federal Sources</i>				
	-	44,234	-	(44,234)
<i>Other Sources</i>				
	-	84,474	-	(84,474)
Total Revenues	<u>5,905,170</u>	<u>5,814,086</u>	<u>5,834,708</u>	<u>20,622</u>
Expenditures				
Salaries	2,850,681	2,636,026	2,632,619	3,407
Employee Benefits	985,374	914,849	963,809	(48,960)
Purchased Services	1,446,157	1,466,000	1,463,405	2,595
Supplies	267,400	187,980	190,982	(3,002)
Property	132,000	112,356	112,816	(460)
Other	210,600	475,766	413,505	62,261
Total Expenditures	<u>5,892,212</u>	<u>5,792,977</u>	<u>5,777,136</u>	<u>15,841</u>
Excess of Revenues Over (Under) Expenditures	12,958	21,109	57,572	36,463
Other Financing Sources				
Transfers In	-	35,736	35,736	-
Net Change in Fund Balance	12,958	56,845	93,308	36,463
Fund Balance, Beginning of year	<u>1,084,645</u>	<u>1,229,887</u>	<u>1,229,887</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 1,097,603</u>	<u>\$ 1,286,732</u>	<u>\$ 1,323,195</u>	<u>\$ 36,463</u>

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2020

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption increased from 4.78% per year, net of investment expenses, to 7.25%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budgets lapse at fiscal year-end.