

**ROSS MONTESSORI SCHOOL**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2020**

## TABLE OF CONTENTS

<b>FINANCIAL SECTION</b>	<b>PAGE</b>
Independent Auditors' Report	
Management's Discussion and Analysis	i - vi
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances Of Governmental Funds to the Statement of Activities	6
Notes to the Financial Statements	7 – 44
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule – General Fund	45
Schedule of the School's Proportionate Share of the Net Pension Liability – PERA School Division Trust Fund Plan	46
Schedule of the School's Contributions – PERA School Division Trust Fund Plan	47
Schedule of the School's Proportionate Share of the Net OPEB Liability – PERA Health Care Trust Fund Plan	48
Schedule of the School's Contributions – PERA Health Care Trust Fund Plan	49

**FNANCIAL SECTION**

Board of Directors  
Ross Montessori School  
Carbondale, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Ross Montessori School, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*PB Solutions LLC*

September 28, 2020

## **BASIC FINANCIAL STATEMENTS**

## **Management’s Discussion and Analysis**

As management of the Ross Montessori School (the “School”) and the Mark Ross Montessori Foundation (the “Foundation”), we offer readers of the School’s financial statements, narrative overview, and analysis of the financial activities of the School for the fiscal year ended June 30, 2020.

### **Financial Highlights**

At the close of its 15<sup>th</sup> year of operation, the liabilities of the School exceeded its assets by \$1,831,636 (net position) an increase of \$950,675 over the prior year.

At the close of the fiscal year, the School’s governmental funds reported a combined ending fund balance of \$2,225,192 an increase of \$573,407.

### **Overview of Financial Statements**

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

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the School’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of 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 expenses and earned but unpaid salary and benefits).

The government-wide financial statement of activities distinguish functions/programs of the School supported primarily by per pupil revenue (PPR) and mill levy override passed through from the Charter School Institute (CSI). The governmental activities of the School include instruction and supporting expenses as well as interest and other fiscal charges.

The government-wide financial statements can be found on pages 1-2 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 School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are governmental funds.

The governmental fund financial statements can be found on pages 3 and 5 of this report.

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

School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Foundation Fund, both major governmental funds.

School adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided for the General Fund to demonstrate compliance with the budget.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 7-44.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of School, liabilities exceeded assets by \$1,831,636 for all government funds as the close of the most recent fiscal year. This deficit net position is due to the School reporting its Net Pension Liability and Net OPEB Liability as required by Governmental Accounting Standards Board Statements 68 and 75.

**School's Net position**

	Governmental Activities <u>30-Jun-20</u>	Governmental Activities <u>30-Jun-19</u>
Cash and Investments	\$2,403,771	\$1,781,783
Restricted Cash and Investments	130,705	99,314
Other Assets	80,871	38,658
Capital Assets, Net	7,874,941	8,095,603
Total Assets	<u>10,490,288</u>	<u>10,015,358</u>
Deferred Outflows of Resources	<u>530,371</u>	<u>1,633,976</u>
Current Liabilities	390,155	422,525
Noncurrent Liabilities	9,966,114	10,693,781
Total Liabilities	<u>10,356,269</u>	<u>11,116,306</u>
Deferred Inflows of Resources	<u>\$2,496,026</u>	<u>3,315,339</u>
Net position		
Net Investment in Capital Assets, Restricted for Emergencies, Unrestricted	1,379,617 95,064 (3,306,317)	1,316,327 78,000 (4,176,638)
Total Net position	<u><u>\$(1,831,636)</u></u>	<u><u>\$(2,782,311)</u></u>

The largest portion of the School's assets (75%) consists of capital assets. 24% percent of total assets represent cash and investments. The School's deficit net position shows a decrease of 34% or \$950,675 over the prior year.

**School's Changes in Net position**  
**For the Years Ended June 30, 2020, and June 30, 2019**

	<u>June 30,2020</u>	<u>June 30, 2019</u>
Program Revenue:		
Charges for Services	\$ 122,535	\$ 261,085
Operating Grants and Contributions	221,280	360,721
Capital Grants and Contributions	81,424	81,515
Total Program Revenue	<u>425,239</u>	<u>703,321</u>
General Revenue:		
Per Pupil Operating Revenue	2,506,307	2,223,950
Mill Levy Override	119,269	89,384
Investment Earnings	5,683	2,759
Other	10,750	552
Total General Revenue	<u>2,642,009</u>	<u>2,316,645</u>
Total Revenue	<u>3,067,248</u>	<u>3,019,966</u>
Expenses:		
Current:		
Instruction	722,650	1,274,415
Supporting Services	1,199,123	1,235,040
Interest and Fiscal Charges	194,800	197,271
Total Expenses	<u>2,116,573</u>	<u>2,706,726</u>
Increase (Decrease) in Net position	950,675	313,240
Beginning Net position,	<u>(2,782,311)</u>	<u>(3,095,551)</u>
Ending Net position,	<u>(\$1,831,636)</u>	<u>(\$2,782,311)</u>

**Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the 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 School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2020, the School's governmental funds reported a combined ending fund balance of \$1,651,785 an increase of \$324,217. The increase can be attributed to increased per pupil and mill levy override revenue as well as managing expenditures.

### **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. For the year ended June 30, 2020, actual revenues exceeded budgeted amounts by \$8,826. Budgeted expenditures exceeded actual amounts by \$158,927. The most significant savings is due to a decrease in salaries and benefits expenditures as a result of the COVID19 pandemic. The General Fund fund balance increased by \$478,747 to \$1,768,397 at year-end.

### **Capital Asset and Debt Administration**

#### Capital Assets

The School's net investment in capital assets increased \$63,290 during the year due to depreciation and reduction of long term debt. Total depreciation for FY 2019-2020 was \$220,662 resulting in net capital assets of \$7,874,941.

#### Long-Term Debt

Long-term debt consists of the USDA loans for the construction of the School's building. At June 30, 2020, the outstanding balance on the USDA loans was \$6,626,029. The loans carry an interest rate of 2.875%. Monthly principal and interest payments are due through June 2054. See Footnote 5 for more information.

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

The primary factor driving the budget for the School continues to be student enrollment. Enrollment for FY 20/21 continues to grow and is currently estimated to exceed a 315 funded pupil count (292 students). We project a General Fund fund balance decrease in FY 20/21. This projected decrease is primarily related to the current COVID19 pandemic and the reduction in state funding as a result of the pandemic. We currently project a deficit for FY 20/21 of \$40,992. This reduction represents approximately 3% of beginning fund balance.

## **Requests for Information**

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

Ross Montessori School  
Attn: Business Office  
109 Lewies Lane  
Carbondale, Colorado 81623

ROSS MONTESSORI SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,403,771
Restricted Cash and Investments	130,705
Accounts Receivable	80,871
Capital Assets, Not Depreciated	1,258,111
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>6,616,830</u>
<b>TOTAL ASSETS</b>	<u>10,490,288</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pensions	508,657
Related to OPEB	<u>21,714</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>530,371</u>
<b>LIABILITIES</b>	
Accounts Payable	44,124
Accrued Salaries and Benefits	231,306
Unearned Revenues	114,725
Noncurrent Liabilities	
Due in One Year	118,427
Due in More than One Year	6,507,602
Net Pension Liability	3,183,558
Net OPEB Liability	<u>156,527</u>
<b>TOTAL LIABILITIES</b>	<u>10,356,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pensions	2,462,714
Related to OPEB	<u>33,312</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,496,026</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,379,617
Restricted for Emergencies	95,064
Unrestricted	<u>(3,306,317)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (1,831,636)</u>

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

ROSS MONTESSORI SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					GOVERNMENTAL ACTIVITIES
<b>Governmental Activities</b>					
Instructional	\$ 1,171,641	\$ -	\$ 200,399	\$ -	\$ (971,242)
Supporting Services	750,132	122,535	20,881	81,424	(525,292)
Interest and Other Fiscal Charges	194,800	-	-	-	(194,800)
Total Governmental Activities	<u>\$ 2,116,573</u>	<u>\$ 122,535</u>	<u>\$ 221,280</u>	<u>\$ 81,424</u>	(1,691,334)
		GENERAL REVENUES			
					Per Pupil Revenue 2,506,307
					Mill Levy Override 119,269
					Interest 5,683
					Other 10,750
					<u>TOTAL GENERAL REVENUES 2,642,009</u>
					CHANGE IN NET POSITION 950,675
					NET POSITION, Beginning <u>(2,782,311)</u>
					NET POSITION, Ending <u>\$ (1,831,636)</u>

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

ROSS MONTESSORI SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2020

	GENERAL FUND	FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
<b>ASSETS</b>			
Cash and Investments	\$ 2,077,695	\$ 326,076	\$ 2,403,771
Restricted Cash and Investments	-	130,705	130,705
Accounts Receivable	80,857	14	80,871
TOTAL ASSETS	<u>\$ 2,158,552</u>	<u>\$ 456,795</u>	<u>\$ 2,615,347</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 44,124	\$ -	\$ 44,124
Accrued Salaries	231,306	-	231,306
Unearned Revenue	114,725	-	114,725
TOTAL LIABILITIES	<u>390,155</u>	<u>-</u>	<u>390,155</u>
<b>FUND BALANCES</b>			
Restricted for Emergencies	95,064	-	95,064
Restricted for Debt Service	-	130,705	130,705
Restricted for Capital Campaign	-	326,090	326,090
Unassigned	1,673,333	-	1,673,333
TOTAL FUND BALANCES	<u>1,768,397</u>	<u>456,795</u>	<u>2,225,192</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,158,552</u>	<u>\$ 456,795</u>	<u>\$ 2,615,347</u>

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

ROSS MONTESSORI SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2020

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

Total fund balances of governmental funds			\$ 2,225,192
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			
	Capital Assets, not depreciated	1,258,111	
	Capital Assets, depreciated	7,745,693	
	Accumulated Depreciation	<u>(1,128,863)</u>	7,874,941
Long-term liabilities and related assets are not due and payable in the current period and ,therefore, are not reported in the funds.			
	Loan Payable	(6,626,029)	
	Net Pension Liability	(3,183,558)	
	Net OPEB Liability	<u>(156,527)</u>	(9,966,114)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.			
	Deferred outflows of resources - Change in Proportionate Share	123,152	
	Deferred outflows of resources - Subsequent Contributions	121,113	
	Deferred outflows of resources - Expected vs Actual Experience	173,506	
	Deferred outflows of resources - Projected vs Actual Investments Earnings	-	
	Deferred outflows of resources - Change in Assumptions	90,886	
	Deferred inflows of resources - Projected vs Actual Investments Earnings	(377,124)	
	Deferred inflows of resources - Change in Assumptions	(1,444,032)	
	Deferred inflows of resources - Change in Proportionate Share	<u>(641,558)</u>	(1,954,057)
	Deferred outflows of resources - Change in Proportionate Share OPEB	13,522	
	Deferred outflows of resources - Subsequent Contributions OPEB	6,374	
	Deferred outflows of resources - Expected vs Actual Experience OPEB	519	
	Deferred outflows of resources - Change in Assumptions OPEB	1,299	
	Deferred inflows of resources - Projected vs actual investment earnings OPEB	(2,613)	
	Deferred inflows of resources - Expected vs Actual Experience OPEB	(26,302)	
	Deferred inflows of resources - Change in Proportionate Share OPEB	<u>(4,397)</u>	<u>(11,598)</u>
Net position of governmental activities			<u>\$ (1,831,636)</u>

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

ROSS MONTESSORI SCHOOL

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2020

	GENERAL FUND	FOUNDATION FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 2,767,614	\$ 431,633	\$ 3,199,247
State Sources	282,761	-	282,761
Federal Sources	29,646	-	29,646
<b>TOTAL REVENUES</b>	<b>3,080,021</b>	<b>431,633</b>	<b>3,511,654</b>
EXPENDITURES			
Current			
Instruction	1,530,904	-	1,530,904
Supporting Services	1,049,895	9,401	1,059,296
Capital Outlay	-	-	-
Debt Service			
Principal	39,832	113,415	153,247
Interest	643	194,157	194,800
<b>TOTAL EXPENDITURES</b>	<b>2,621,274</b>	<b>316,973</b>	<b>2,938,247</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>458,747</b>	<b>114,660</b>	<b>573,407</b>
OTHER FINANCING SOURCES (USES)			
Transfers In	20,000	-	20,000
Transfers Out	-	(20,000)	(20,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,000</b>	<b>(20,000)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>478,747</b>	<b>94,660</b>	<b>573,407</b>
FUND BALANCES, Beginning	1,289,650	362,135	1,651,785
FUND BALANCES, Ending	\$ 1,768,397	\$ 456,795	\$ 2,225,192

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

ROSS MONTESSORI SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds			\$ 573,407
<p>Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.</p>			
	Depreciation	<u>(220,662)</u>	(220,662)
<p>Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.</p>			
	Debt Principal Payments	<u>153,247</u>	153,247
<p>Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide statements those amounts are capitalized and amortized.</p>			
	Deferred charges related to Pension Plan	445,047	
	Deferred charges related to OPEB	<u>(364)</u>	<u>444,683</u>
Change in net position of governmental activities			<u>\$ 950,675</u>

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ross Montessori School (the “School”) was formed in 2005 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School receives its state funding from the Charter School Institute (the “Institute”). The School is governed by a seven-member Board of Directors.

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

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the School and organizations for which the School is financially accountable. It is also financially accountable for legally separate organizations if the School’s officials appoint a voting majority for the organization’s governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School. The School may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the School includes the following organizations within its reporting entity:

**Mark Ross Montessori Foundation**

The Mark Ross Montessori Foundation (the “Foundation”) was formed for the purpose of receiving, maintaining, and administering funds received as gifts for the benefit of the School. The Foundation is blended into the School’s financial statements as a special revenue fund. Separate financial statements are not available for the Foundation.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

**Government-Wide and Fund Financial Statements (Continued)**

The statement of net position reports all financial, capital and debt resources of the School. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the School is reported as net position.

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

Major individual governmental funds are reported in separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

In the fund financial statements, the School reports the following major governmental funds:

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

The *Foundation Fund* accounts for the activities of the Mark Ross Montessori Foundation.

**Assets, Liabilities, and Fund Balance/Net Position**

Deposits and Investments – For purposes of the statement of cash flows, the School considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

Leasehold Improvements	15 years
Buildings and Improvements	50 years
Equipment	5 years

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure. For the year ended June 30, 2020, the School received \$129,553 in CARES Act funds of which \$114,625 remained unspent at year end. The unspent portion of the funds are reported as unearned revenue on the School’s balance sheet.

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, as of June 30, 2020, were \$231,306. The accrued compensation is reported as a liability in the General Fund.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences – The School’s policy allows employees to earn personal leave of absence during the year. Upon termination, no unused personal leave of absence days are paid to the employees. Therefore, no liability is recorded in the School’s government-wide statement of net position.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School does not report any nonspendable fund balances at June 30, 2020.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The School has also classified funds for the capital campaign and debt service as being restricted because their use is restricted by contributors and debt covenants.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2020.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The School did not have any assigned resources as of June 30, 2020.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

**Risk Management**

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

**Income Taxes**

The Foundation is a tax exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The Foundation's tax filings are subject to audit by various taxing authorities. The Foundation believes it has no significant uncertain tax provisions for the year ended June 30, 2020.

**Subsequent Events**

The School has evaluated events subsequent to the year ended June 30, 2020 through September 28, 2020, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

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

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

**NOTE 3: CASH AND INVESTMENTS**

At June 30, 2020 cash and investments consist of the following:

Deposits	\$ 1,028,932
Investments	<u>1,505,544</u>
Total	<u>\$ 2,534,476</u>

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Unrestricted	\$ 2,403,771
Cash and Investments - Restricted	<u>130,705</u>
Total	<u>\$ 2,534,476</u>

**Deposits**

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

**Deposits** (Continued)

Custodial Credit Risk – Deposits (Continued)

At June 30, 2020 State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2020, the School had deposits with financial institutions with a carrying amount of \$1,028,932. The bank balances with the financial institutions were \$1,051,569. Of these balances, \$500,000 was covered by federal depository insurance and \$551,569 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Custodial Risk

The School has no policy regarding custodial credit risk for deposits.

**Investments**

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

**Investments (Continued)**

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The School does not have a formal investment policy to limit credit risk. However, the School follows state statutes regarding investments.

Local Government Investment Pools

The School had invested \$1,505,544 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

**Restricted Cash**

At June 30, 2020, cash in the amount of \$130,705 is restricted in the Foundation Fund to comply with USDA loan covenants.

**NOTE 4: CAPITAL ASSETS**

Capital Asset activity for the year ended June 30, 2020 is summarized below:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 1,258,111	\$ -	\$ -	\$ 1,258,111
Capital Asset, Being Depreciated				
Land Improvements	187,804	-	-	187,804
Building	7,186,636	-	-	7,186,636
Equipment	371,253	-	-	371,253
Total Capital Assets, Being Depreciated	7,745,693	-	-	7,745,693
Accumulated Depreciation				
Land Improvements	29,039	12,520	-	41,559
Building	714,521	179,666	-	894,187
Equipment	164,641	28,476	-	193,117
Total Depreciation	908,201	220,662	-	1,128,863
Total Capital Assets, Being Depreciated, Net	6,837,492	(220,662)	-	6,616,830
Net Capital Assets	\$ 8,095,603	\$ (220,662)	\$ -	\$ 7,874,941

Depreciation has been charged to the Supporting Services program of the School.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 5: LONG-TERM DEBT**

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2020:

	Balance 6/30/2019	Additions	Payments	Balance 6/30/2020	Due In One Year
USDA Loan Payable	\$ 6,081,307	\$ -	\$ 102,039	\$ 5,979,268	\$ 106,751
USDA Loan Payable	658,137	-	11,376	646,761	11,676
Alpine Loan Payable	39,832	-	39,832	-	-
Net Pension Liability	3,875,502	-	691,944	3,183,558	-
Net OPEB Liability	193,558	-	37,031	156,527	-
Total	<u>\$ 10,848,336</u>	<u>\$ -</u>	<u>\$ 882,222</u>	<u>\$ 9,966,114</u>	<u>\$ 118,427</u>

**USDA Loan Payable**

In April 2016, the Foundation entered into a loan agreement with USDA in the amount of \$6,400,000. Proceeds of the loan were used to construct the School's new educational facility. The loan carries an interest rate of 2.875%. Monthly principal and interest payments in the amount of \$23,104 are due through May 2054.

In April 2016, the Foundation entered into an additional loan agreement with USDA in the amount of \$700,000 to construct two additional classrooms. The loan carries an interest rate of 2.875%. Monthly principal and interest payments in the amount of \$2,527 are due through June 2054.

In addition to the monthly principal and interest payments, the Foundation is also required to deposit an amount equal to one tenth of the monthly debt service amount into a reserve account as required by the USDA loan covenants. For the year ended June 30, 2020, the balance in the reserve account is \$130,705. This amount is reported as restricted cash on the Foundation's balance sheet.

**Lease Agreement**

During the year ended June 30, 2015 the Foundation and the School entered into a lease agreement for the newly constructed educational facility. Per the agreement, the School is required to make monthly lease payments to the Foundation in the amount of \$28,194. The Foundation is making payments to USDA to service the Foundation's debt service commitment.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 5: LONG-TERM DEBT (Continued)**

**Lease Agreement (Continued)**

For the year ended June 30, 2020, the School paid \$338,328 in rent payments to the Foundation under the terms of the lease agreement.

**Alpine Loan Payable**

In November 2018, the School entered into a loan agreement with Alpine Bank in the amount of \$55,000. Proceeds of the loan were used to purchase a new school bus. The loan carries an interest rate of 6%. Beginning in December 2018, monthly principal and interest payments in the amount of \$1,065 were paid through June 2019. In July 2019, the loan was paid in full.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 118,427	\$ 189,145	\$ 307,572
2022	121,877	185,695	307,572
2023	125,427	182,145	307,572
2024	129,081	178,491	307,572
2025	132,842	174,730	307,572
2026-2030	724,562	813,297	1,537,859
2031-2035	836,433	701,427	1,537,860
2036-2040	965,575	572,285	1,537,860
2041-2045	1,114,657	423,202	1,537,859
2046-2050	1,286,757	251,103	1,537,860
2051-2054	<u>1,070,391</u>	<u>59,552</u>	<u>1,129,943</u>
Total	<u>\$ 6,626,029</u>	<u>\$ 3,731,072</u>	<u>\$ 10,357,101</u>

**NOTE 6: INTERFUND TRANSFERS**

During the year ended June 30, 2020 the Foundation Fund transferred \$20,000 to the General Fund to provide funding for professional development.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension 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/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

**General Information about the Pension Plan**

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*Benefits provided as of December 31, 2019.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., 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 unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. 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 aforementioned 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 disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*Contributions provisions as of June 30, 2020:* Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.38%</b>

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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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. Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were \$243,957 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on the 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 June 30, 2020 the School reported a liability of \$3,183,558 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$3,183,558
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	\$ 403,794
<b>Total</b>	<b>\$3,587,352</b>

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

At December 31, 2019, the School's proportion was 0.02130 percent, which was a decrease of 0.0005775 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the School recognized pension expense of (\$445,047) and revenue of \$12,773 for 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$173,506	N/A
Changes of assumptions or other inputs	\$ 90,886	\$1,444,032
Net difference between projected and actual earnings on pension plan investments	N/A	\$ 377,124
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$123,152	\$ 641,558
Contributions subsequent to the measurement date	\$121,113	N/A
Total	\$508,657	\$2,462,714

\$121,113 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

Year ended June 30,	
2021	(\$1,117,122)
2022	(\$ 817,631)
2023	(\$ 12,130)
2024	(\$ 128,287)
2025	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) <sup>1</sup>	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) <sup>1</sup>	Financed by the Annual Increase Reserve

<sup>1</sup> For 2019, the annual increase was 0.00 percent.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 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, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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 percent.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

- 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 percent.
- 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 percent 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect 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 provides an annual direct distribution of \$225 million, which commenced 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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

- 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 percent to 1.25 percent 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.

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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$4,222,080	\$3,183,558	\$2,311,629

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract,

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid. Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

*PERA Benefit Structure*

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

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

*DPS Benefit Structure*

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

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$12,840 for the year ended June 30, 2020.

**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 liability of \$156,527 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of 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 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School proportion was 0.013925 percent, which is a decrease of 0.0003 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of (\$364). At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 519	\$26,302
Changes of assumptions or other inputs	\$ 1,299	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 2,613
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$13,522	\$ 4,397
Contributions subsequent to the measurement date	\$ 6,374	N/A
Total	\$21,714	\$33,312

\$6,374 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021 Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2021	(\$2,097)
2022	(\$2,096)
2023	(\$1,340)
2024	(\$6,315)
2025	(\$5,775)
Thereafter	(\$ 349)

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

*Actuarial assumptions.* The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	\$605	\$237

The 2019 Medicare Part A premium is \$437 per month.

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

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	\$571

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

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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.

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

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

The following 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.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

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

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 percent.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$152,808	\$156,527	\$160,823

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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 percent.

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN**

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$176,985	\$156,527	\$139,031

*OPEB plan fiduciary net position.* Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

ROSS MONTESSORI SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

**Tabor Amendment**

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Tabor Amendment is complex and subject to judicial interpretations. The School believes it has complied with the Amendment.

The School has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2020, the emergency reserve of \$95,064 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

**NOTE 10: DEFICIT NET POSITION**

The net position of the governmental activities is in a deficit position in the amount of \$1,831,636 due to the School including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

**NOTE 11: SUBSEQUENT EVENT**

The United States of America and State of Colorado have declared an emergency as a result of the coronavirus (COVID19) pandemic. These economic uncertainties may have a significant impact on the financial position, results of operations, and cashflows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

**REQUIRED SUPPLEMENTARY INFORMATION**

ROSS MONTESSORI SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Per Pupil Revenue	\$ 2,636,100	\$ 2,506,309	\$2,506,307	\$ (2)
Mill Levy Override	89,384	117,255	119,269	2,014
Charges for Services	135,900	135,900	122,535	(13,365)
Contributions	3,500	3,500	3,070	(430)
Interest	1,250	1,250	5,683	4,433
Other	200	200	10,750	10,550
State Sources				
Capital Construction	74,927	75,785	81,424	5,639
PERA On Behalf Contribution	-	-	30,584	30,584
Grants and Donations	144,365	163,131	170,753	7,622
Federal Sources				
Grants and Donations	28,160	32,865	29,646	(3,219)
<b>TOTAL REVENUES</b>	<u>3,113,786</u>	<u>3,036,195</u>	<u>3,080,021</u>	<u>43,826</u>
<b>EXPENDITURES</b>				
Current				
Salaries	1,374,606	1,377,038	1,294,023	83,015
Employee Benefits	472,111	472,111	448,006	24,105
Purchased Services	729,613	720,252	659,165	61,087
Supplies and Materials	165,800	165,800	179,605	(13,805)
Property	10,000	10,000	-	10,000
Other	35,000	35,000	-	35,000
Debt Service				
Principal	-	-	39,832	(39,832)
Interest	-	-	643	(643)
<b>TOTAL EXPENDITURES</b>	<u>2,787,130</u>	<u>2,780,201</u>	<u>2,621,274</u>	<u>158,927</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>326,656</u>	<u>255,994</u>	<u>458,747</u>	<u>202,753</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	55,000	55,000	20,000	(35,000)
<b>NET CHANGE IN FUND BALANCE</b>	381,656	310,994	478,747	167,753
<b>FUND BALANCE, Beginning</b>	<u>1,209,259</u>	<u>1,209,259</u>	<u>1,289,650</u>	<u>80,391</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,590,915</u>	<u>\$ 1,520,253</u>	<u>\$1,768,397</u>	<u>\$ 248,144</u>

See the accompanying independent auditors' report.

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.02131%	0.02200%	0.02500%	0.02200%	0.02400%	0.02300%	0.02200%
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,183,558	\$ 3,875,502	\$ 8,164,114	\$6,492,859	\$3,634,503	\$3,142,781	\$2,783,368
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	<u>403,794</u>	<u>529,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability (Asset)	<u>3,587,352</u>	<u>4,405,423</u>	<u>8,164,114</u>	<u>6,492,859</u>	<u>3,634,503</u>	<u>3,142,781</u>	<u>2,783,368</u>
Covered payroll	\$ 1,252,168	\$ 1,203,234	\$ 1,164,633	\$1,062,239	\$1,035,619	\$ 879,705	\$ 970,919
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	286.5%	366.1%	701.0%	611.2%	350.9%	357.3%	286.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.10%

NOTE: Information for the prior three years was not available for this report

See the accompanying independent auditors' report

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 243,957	\$ 234,664	\$ 234,197	\$ 223,290	\$ 182,315	\$ 190,626	\$ 152,972
Contributions in Relation to the Contractually Required Contributions	<u>243,957</u>	<u>234,664</u>	<u>234,197</u>	<u>223,290</u>	<u>182,315</u>	<u>190,626</u>	<u>152,972</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,258,809	\$ 1,226,678	\$ 1,176,699	\$ 1,150,766	\$ 971,997	\$ 1,063,084	\$ 898,979
Contributions as a Percentage of Covered Payroll	19.38%	19.13%	19.90%	19.40%	18.76%	17.93%	17.02%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditors' report

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
PERA HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the Net OPEB Liability (Asset)	0.01393%	0.01423%	0.01435%	0.01229%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 156,527	\$ 193,558	\$ 186,430	\$ 159,340
Covered payroll	\$ 1,252,168	\$ 1,203,234	\$ 1,164,633	\$1,062,239
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	12.5%	16.1%	16.0%	15.0%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	24.49%	17.03%	17.53%	16.72%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditors' report

ROSS MONTESSORI SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
PERA HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contributions	\$ 12,840	\$ 12,512	\$ 12,002	\$ 11,738
Contributions in Relation to the Contractually Required Contributions	<u>12,840</u>	<u>12,512</u>	<u>12,002</u>	<u>11,738</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,258,809	\$ 1,226,678	\$ 1,176,699	\$ 1,150,766
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditors' report