

MONTESSORI PEAKS ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Montessori Peaks Academy
Littleton, 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 Montessori Peaks Academy, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Montessori Peaks Academy, 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 Montessori Peaks Academy, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows 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, schedule of the Academy's proportionate share, and schedule of the Academy's contributions on pages 28-30 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.

John Luttrell & Associates, LLC

November 13, 2017

Montessori Peaks Academy

Management's Discussion and Analysis

Year Ended June 30, 2017

As management of Montessori Peaks Academy herein after known as “MPA”, we offer readers of these financial statements this narrative and analysis of the financial activities of the Academy for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to MPA's financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. For the year ended June 30, 2017 MPA had its sixteenth financial audit completed.

Government-wide Financial Statements

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

The statement of net position presents information on all of MPA's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future periods.

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. MPA like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental fund, its general fund.

MPA adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund on page 28 as part of the basic financial statements.

Notes to Financial Statements

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

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of MPA's financial position. For the year ended June 30, 2017 MPA's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources by \$8,444,909. Approximately \$120,946 of total net position is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Net Position as of June 30,

Assets:	2017	2016
Current Assets	\$ 1,929,772	\$ 1,779,951
Capital and Other Assets, Net	<u>3,946,456</u>	<u>4,085,722</u>
Total Assets	<u>5,876,228</u>	<u>5,865,673</u>
Deferred Outflows of Resources	<u>5,946,638</u>	<u>2,062,542</u>
Liabilities:		
Current Liabilities	283,417	266,742
Long-term Liabilities	<u>19,904,066</u>	<u>14,259,738</u>
Total Liabilities	<u>20,187,483</u>	<u>14,526,480</u>
Deferred Inflows of Resources	<u>80,292</u>	<u>113,077</u>
Net Position		
Net Investment in Capital Assets	(1,569,609)	(1,578,305)
Restricted	929,218	985,252
Unrestricted	<u>(7,804,518)</u>	<u>(6,118,289)</u>
Total Net Position	\$ <u>(8,444,909)</u>	\$ <u>(6,711,342)</u>

The total net position of MPA decreased to approximately \$1,733,567 for the year ended June 30, 2017 from approximately \$(6,711,342) for the year ended June 30, 2016.

Change in Net position for the Year Ended June 30,

	2017	2016
Revenue:		
Program Revenues		
Charges for Services	\$ 838,586	\$ 824,674
Operating Grants and Contributions	144,161	196,854
Capital Grants and Contributions	115,200	39,867
General Revenue		
School Finance Act Revenue	3,005,341	3,049,929
Other	589,984	606,283
Total Revenue	<u>4,593,272</u>	<u>4,717,607</u>
Expenses:		
Instruction	4,169,645	3,441,204
Supporting Services	1,882,071	1,242,397
Debt Service – Interest and	<u>375,123</u>	<u>384,392</u>
Amortization		
Total Expenses	<u>6,426,839</u>	<u>5,067,993</u>
Change in Net Position	(1,733,567)	(350,386)
Net Position, July 1	(6,711,342)	(6,360,956)
Net Position, June 30	\$ <u>(8,444,909)</u>	\$ <u>(6,711,342)</u>

The operations of MPA are funded primarily by the per pupil revenue received under the State School Finance Act. State revenue for fiscal year 2017 totaled approximately \$3,005,341 representing a decrease of approximately \$44,588 under the total for the year ended June 30, 2016.

Capital Assets and Debt Administration

Capital Assets

MPA's investment in capital assets decreased by \$138,766 during the year primarily due to depreciation resulting in year-end net capital assets of \$4,085,722. See Note 4 for more information.

Long-Term Debt

MPA is in a long term lease agreement with the Building Corporation ending in 2036. See Note 6 for more information.

Requests for Information

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

Montessori Peaks Academy
Attention: Business Manager
9904 West Capri Avenue
Littleton, CO 80123

BASIC FINANCIAL STATEMENTS

MONTESSORI PEAKS ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	\$ 1,065,938	\$ 794,699
Restricted Cash and Investments	863,834	985,252
Capital Assets, Not Depreciated	1,099,229	1,099,229
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,847,227	2,986,493
TOTAL ASSETS	5,876,228	5,865,673
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Related to Pensions	639,496	673,154
	5,307,142	1,389,388
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,946,638	2,062,542
LIABILITIES		
Accounts Payable	22,420	6,657
Accrued Salaries	194,086	194,704
Accrued Interest	55,561	57,181
Unearned Revenues	11,350	8,200
Noncurrent Liabilities		
Bonds		
Due in One Year	190,000	180,000
Due in More Than One Year	5,910,000	6,100,000
Net Pension Liability	13,804,066	7,979,738
TOTAL LIABILITIES	20,187,483	14,526,480
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	80,292	113,077
NET POSITION		
Net Investment in Capital Assets	(1,569,609)	(1,578,305)
Restricted for Emergencies	120,946	121,676
Restricted for Debt Service	808,272	863,576
Unrestricted	(7,804,518)	(6,118,289)
TOTAL NET POSITION	\$ (8,444,909)	\$ (6,711,342)

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

MONTESSORI PEAKS ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2017	2016
Governmental Activities						
Instruction	\$ 4,169,645	\$ 838,586	\$ 46,911	\$ -	\$ (3,284,148)	\$ (2,419,676)
Supporting Services	1,882,071	-	97,250	115,200	(1,669,621)	(1,202,530)
Interest on Long-Term Debt	375,123	-	-	-	(375,123)	(384,392)
Total Governmental Activities	<u>\$ 6,426,839</u>	<u>\$ 838,586</u>	<u>\$ 144,161</u>	<u>\$ 115,200</u>	(5,328,892)	(4,006,598)
		GENERAL REVENUES				
					3,005,341	3,049,929
					573,564	591,446
					1,358	514
					15,062	14,323
					<u>3,595,325</u>	<u>3,656,212</u>
					CHANGE IN NET POSITION	(1,733,567) (350,386)
					NET POSITION, Beginning	(6,711,342) (6,360,956)
					NET POSITION, Ending	<u>\$ (8,444,909)</u> <u>\$ (6,711,342)</u>

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

MONTESSORI PEAKS ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	
	2017	2016
ASSETS		
Cash and Investments	\$ 1,065,938	\$ 794,699
Restricted Cash and Investments	863,834	985,252
TOTAL ASSETS	\$ 1,929,772	\$ 1,779,951
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 22,420	\$ 6,657
Accrued Salaries and Benefits	194,086	194,704
Unearned Revenues	11,350	8,200
TOTAL LIABILITIES	227,856	209,561
FUND BALANCES		
Restricted for Emergencies	120,946	121,676
Restricted for Debt Service	808,272	863,576
Unassigned	772,698	585,138
TOTAL FUND BALANCES	1,701,916	1,570,390
TOTAL LIABILITIES AND FUND BALANCES		
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	3,946,456	4,085,722
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount includes the building lease payable (\$6,100,000), accrued interest (\$55,561) and deferred loss on refunding of \$639,496.	(5,516,065)	(5,664,027)
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$13,804,066), deferred outflows related to pensions \$5,307,142, and deferred inflows related to pensions (\$80,292).	(8,577,216)	(6,703,427)
Net position of governmental activities	\$ (8,444,909)	\$ (6,711,342)

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

MONTESSORI PEAKS ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	GENERAL FUND	
	2017	2016
REVENUES		
Local Sources	\$ 4,531,161	\$ 4,562,814
State Sources	162,111	154,793
	<u>4,693,272</u>	<u>4,717,607</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
Instruction	2,623,817	2,966,768
Supporting Services	1,414,844	1,052,449
Debt Service		
Principal	180,000	170,000
Interest	343,085	352,265
	<u>4,561,746</u>	<u>4,541,482</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCES	131,526	176,125
FUND BALANCES, Beginning	<u>1,570,390</u>	<u>1,394,265</u>
FUND BALANCES, Ending	<u>\$ 1,701,916</u>	<u>\$ 1,570,390</u>

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

MONTESSORI PEAKS ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 131,526
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$171,385) exceeded capital outlay \$32,619 and loss on disposal of assets (\$500) for the year	(139,266)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include lease payments of \$180,000, amortization of loss on refunding (\$33,658), and decrease in accrued interest \$1,620.	147,962
Deferred charges related to pension are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(1,873,789)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,733,567)</u></u>

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

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Montessori Peaks Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado. The legal name of the Academy is the South Jeffco Montessori Charter School.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

The Academy includes the Montessori Peaks Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy’s facilities. The activities of the Building Corporation is blended into the Academy’s financial statements and are included in the General Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1 (the “District”).

Government-Wide and Fund Financial Statements

The Academy financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. 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.

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.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues 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.

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

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, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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 Academy.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Academy reports the following major governmental funds:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 years for Buildings and 10 years for Equipment.

Unearned Revenues –The unearned revenues include deposits for fees received but not yet available for expenditure until the following year.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of 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.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of 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.

Net Position

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

Net Investment in Capital Assets includes the Academy's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Academy typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

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 Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position (Continued)

The classifications used in the governmental fund financial statements are as follows:

- 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 Academy has classified Emergency Reserves and funds held for debt service as being restricted because their use is restricted by State Statute for declared emergencies and debt service.
- 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 Academy did not have any committed resources as of June 30, 2017.
- 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 Academy 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.

Compensated Absences

The Academy's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy 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 District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settlements have not exceeded insurance coverage in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following 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 must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	\$ 500
Pooled Cash with the District	1,065,438
Investments	<u>863,834</u>
Total Cash and Investments	<u>\$ 1,929,772</u>

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

Cash and Investments	\$ 1,065,938
Restricted Cash and Investments	<u>863,834</u>
Total	<u>\$ 1,929,772</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.

At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy 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. The Academy has no policy regarding custodial credit risk for deposits.

The Academy has no deposits at June 30, 2017.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2017 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled \$1,065,438.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

The Academy 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. However, the Academy does follow the guidelines described by the Colorado State Statutes.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The Academy has no policy for managing credit risk or interest rate risk.

Fair Value

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSRO"). At June 30, 2017, the Academy had \$863,834 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's. These investments are valued with Level 1 inputs.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Cash and Investments of \$863,834 are restricted in the General Fund for debt service and bond reserves.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2017 is summarized below.

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 1,099,229	\$ -	\$ -	\$ 1,099,229
Capital Asset, depreciated				
Equipment	35,270	11,146	2,500	43,916
Building	<u>4,780,510</u>	<u>21,473</u>	<u>-</u>	<u>4,801,983</u>
Total Capital Assets, depreciated	<u>4,815,780</u>	<u>32,619</u>	<u>2,500</u>	<u>4,845,899</u>
Accumulated Depreciation				
Equipment	13,351	4,955	2,000	16,306
Building	<u>1,815,936</u>	<u>166,430</u>	<u>-</u>	<u>1,982,366</u>
Total Accumulated Depreciation	<u>1,829,287</u>	<u>171,385</u>	<u>2,000</u>	<u>1,998,672</u>
Capital Assets, depreciated, net	<u>2,986,493</u>	<u>(138,766)</u>	<u>-</u>	<u>2,847,227</u>
Total Capital Assets	<u>\$ 4,085,722</u>	<u>\$ (138,766)</u>	<u>\$ 500</u>	<u>\$ 3,946,456</u>

Depreciation has been charged to the Supporting Services Program of the Academy.

NOTE 5: 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, 2017, were \$194,086. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

MONTESSORI PEAKS ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2017:

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due In</u> <u>One Year</u>
Building Lease	<u>\$ 6,280,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 6,100,000</u>	<u>\$ 190,000</u>

Building Lease

In December, 2006, the Colorado Educational and Facilities Authority (CECFA) issued \$7,575,000 Charter School Refunding Revenue Bonds, Series 2006. These bonds were issued to fully refund the 2002 Charter School Revenue Bonds and construct additional facilities. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds. Interest accrues at rates ranging from 5.4% to 5.5%. The loan matures on May 1, 2036.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 190,000	\$ 333,365	\$ 523,365
2019	200,000	323,105	523,105
2020	210,000	312,305	522,305
2021	225,000	300,965	525,965
2022	235,000	288,815	523,815
2023 – 2027	1,380,000	1,239,145	2,619,145
2028 – 2032	1,800,000	819,500	2,619,500
2033 – 2036	<u>1,860,000</u>	<u>265,100</u>	<u>2,125,100</u>
Total	<u>\$ 6,100,000</u>	<u>\$ 3,882,300</u>	<u>\$ 9,982,300</u>

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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

Benefits provided. 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.

General Information about the Pension Plan

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.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF Academy were \$446,099 for the year ended June 30, 2017.

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

At June 30, 2017 the Academy reported a liability of \$13,804,066 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Academy's proportion was 0.04636%, which was a decrease of 0.00581% from its proportion measured as of December 31, 2015.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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)

For the year ended June 30, 2017 the Academy recognized pension expense of \$2,319,888. At June 30, 2017, the Academy 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	\$ 173,880	\$ 154
Net difference between projected and actual earnings on pension plan investments	\$ 546,843	N/A
Changes in Assumptions and other inputs	\$ 3,875,908	\$ 80,138
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 496,226	N/A
Contributions subsequent to the measurement date	\$ 214,285	N/A
Total	\$ 5,307,142	\$ 80,292

\$214,285 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2017	\$ 726,704
2018	\$ 2,223,406
2019	\$ 2,057,849
2020	\$ 4,606

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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)

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90%-10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount Rate	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 %
Real wage growth	1.10 %
Wage inflation	3.50 %
Salary increases, including wage inflation	3.50 – 9.70 %
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 %
Discount rate	5.26 %
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 %
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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)

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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)

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

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

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

The 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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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)

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table.

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	.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%	.20%
Total	100.00%	

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

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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)

Discount rate. The discount rate used to measure the total pension liability was 5.26 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 economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$17,358,169	\$13,804,066	\$10,909,377

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Academy contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Academy's employer contribution to the HCTF was \$23,355, \$27,942, and \$22,026, respectively, equal to their required contribution for each year.

MONTESSORI PEAKS ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2017 the reserve of \$120,946 was recorded as a restriction of fund balance in the General Fund.

NOTE 9: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$8,444,909 due to the Academy including the Net Pension Liability per GASB No. 68

REQUIRED SUPPLEMENTARY INFORMATION

MONTESSORI PEAKS ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,172,092	\$ 3,122,662	\$ 3,005,341	\$ (117,321)	\$ 3,049,929
Mill Levy Override	580,946	573,571	573,564	(7)	591,446
Charges for Services	841,000	839,331	838,586	(745)	824,674
Interest	100	480	1,358	878	514
Donations	88,500	95,000	97,250	2,250	81,928
Other	21,000	14,599	15,062	463	14,323
State Sources					
Grants and Donations	145,410	160,856	162,111	1,255	154,793
TOTAL REVENUES	4,849,048	4,806,499	4,693,272	(113,227)	4,717,607
EXPENDITURES					
Current					
Salaries	2,718,532	2,580,000	2,442,337	137,663	2,470,473
Employee Benefits	663,011	621,745	597,792	23,953	590,658
Purchased Services	797,308	911,758	809,205	102,553	774,399
Supplies and Materials	165,300	172,700	156,708	15,992	150,617
Property	70,000	29,000	32,619	(3,619)	33,070
Debt Service					
Principal	180,833	180,833	180,000	833	170,000
Interest	342,275	342,275	343,085	(810)	352,265
TOTAL EXPENDITURES	4,937,259	4,838,311	4,561,746	276,565	4,541,482
NET CHANGE IN FUND BALANCE	(88,211)	(31,812)	131,526	163,338	176,125
FUND BALANCE, Beginning	1,570,389	1,570,389	1,570,390	1	1,394,265
FUND BALANCE, Ending	\$ 1,482,178	\$ 1,538,577	\$ 1,701,916	\$ 163,339	\$ 1,570,390

See the accompanying independent auditors' report.

MONTESSORI PEAKS ACADEMY

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Academy's proportionate share of the Net Pension Liability	0.048%	0.048%	0.052%	0.046%
Academy's proportionate share of the Net Pension Liability	\$ 6,096,104	\$ 6,559,476	\$ 7,979,738	\$ 13,804,066
Academy's covered-employee payroll	\$ 1,880,248	\$ 1,972,956	\$ 2,256,215	\$ 2,324,320
Academy's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	324.2%	332.5%	353.7%	593.9%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

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

MONTESSORI PEAKS ACADEMY

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 320,978	\$ 388,948	\$ 438,312	\$ 446,099
Contributions in relation to the Statutorily required contributions	<u>320,978</u>	<u>388,948</u>	<u>438,312</u>	<u>446,099</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's covered-employee payroll	\$ 1,853,045	\$ 2,159,457	\$ 2,328,458	\$ 2,289,713
Contributions as a percentage of covered-employee payroll	17.32%	18.01%	18.82%	19.48%

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