# MONTESSORI DEL MUNDO

## FINANCIAL STATEMENTS

## June 30, 2017

**MONTESSORI DEL MUNDO**

June 30, 2017

## Board of Directors

| | |
|---|---|
| Chair | Amanda Mailloux |
| Vice Chair | Benito Vega |
| Secretary | Michel Friberg |
| Treasurer | David Marsh |
| Member | Greg Moore |
| Member | Richard Montague |
| Member | Walter Stone |

## TABLE OF CONTENTS

S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
Montessori del Mundo
Aurora, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of Montessori del Mundo 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 del Mundo, as listed in the table of contents.

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

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

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

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

**Opinions**
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Montessori del Mundo as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

8400 E. Crescent Parkway • Suite 600 • Greenwood Village, CO 80111 • (720) 528-4306 Fax: (720) 528-4307

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

October 2, 2017

**Montessori del Mundo**
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Montessori del Mundo (MDM or the School), we offer readers of Montessori del Mundo's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

## Financial Highlights

The year ended June 30, 2017 is the third year of operations for MDM. As of June 30, 2017, net position for governmental activities decreased by $(1,790,356) to $(2,522,747). Montessori del Mundo's governmental fund reported an ending fund balance of $351,993, a decrease of $(194,422) from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was $1,760,004.

## 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, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

***Fund Financial Statements***

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

**Governmental Funds**

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

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

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

***Notes to the Financial Statements***

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

## Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2017, MDM's net position was $(2,522,747). This position includes a net pension liability in the amount of $6,382,141, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, $72,830 is invested in capital assets net of related debt, $5,225 is restricted for capital outlay, and $69,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

**Montessori del Mundo's Net Position**

| | 2016-2017 | 2015-2016 |
|---|---|---|
| ASSETS | | |
| Cash | $ 373,434 | $ 212,985 |
| Restricted Cash | 5,225 | 373,749 |
| Accounts Receivable | 26,411 | 23,390 |
| Grants Receivable | 51,945 | 22,972 |
| Prepaid Expenses | 5,608 | 19,574 |
| Deposits | 10,000 | 10,000 |
| Capital Assets, Net of Accumulated Depreciation | 355,035 | 131,553 |
| TOTAL ASSETS | 827,658 | 794,223 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions, Net of Accumulated Amortization | 3,458,023 | 1,595,024 |
| LIABILITIES | | |
| Accounts Payable | 19,103 | 39,988 |
| Accrued Liabilities | 34,073 | 25,978 |
| Accrued Salaries and Benefits | 67,454 | 50,289 |
| Noncurrent Liabilities | | |
| Due within One Year | 22,766 | - |
| Due in More Than One Year | 259,439 | 300,000 |
| Net Pension Liability | 6,382,141 | 2,667,603 |
| TOTAL LIABILITIES | 6,784,976 | 3,083,858 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions, Net of Accumulated Amortization | 23,452 | 37,780 |
| NET POSITION | | |
| Net Investment in Capital Assets | 72,830 | 131,553 |
| Restricted for Capital Outlay | 5,225 | 56,821 |
| Restricted for Emergencies | 69,000 | 63,000 |
| Unrestricted | (2,669,802) | (983,765) |
| TOTAL NET POSITION | $ (2,522,747) | $ (732,391) |

**Montessori del Mundo's Change in Net Position**

| | 2016-2017 | 2015-2016 |
|---|---|---|
| REVENUES | | |
| Per Pupil Revenue | $ 1,760,004 | $ 1,597,455 |
| Additional At-Risk and At-Risk Supplemental Funding | 1,732 | 2,570 |
| Capital Construction | 63,361 | 48,881 |
| Contributions not Restricted to Specific Programs | 8,930 | 155,865 |
| Charges for Services | 136,470 | 146,058 |
| Operating Grants and Contributions | 343,416 | 385,712 |
| Miscellaneous | 93,450 | 7,445 |
| TOTAL REVENUE | 2,407,363 | 2,343,986 |
| EXPENSES | | |
| Instruction | 2,652,399 | 1,962,846 |
| Support Services | 1,528,282 | 1,033,120 |
| Interest on Long-Term Debt | 17,038 | - |
| TOTAL EXPENSES | 4,197,719 | 2,995,966 |
| CHANGE IN NET POSITION | (1,790,356) | (651,980) |
| NET POSITION, Beginning | (732,391) | (80,411) |
| NET POSITION, Ending | $ (2,522,747) | $ (732,391) |

## 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.

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, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $351,993, a decrease of $(194,422) from the prior year. This decrease is the result of one-time expenditures related to facility improvements using funds borrowed in FY16.

## General Fund Budgetary Highlights

MDM recognized $80,542 less revenue than expected and spent $581,534 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue was fine-tuned to account for changes to student enrollment and grant allocations and for the cost of leasehold improvements that were not in the original budget. Expenditures were increased for planned facility improvements from funds borrowed in FY16.

## Capital Assets & Long-Term Debt

The School has invested in capital assets for leasehold improvements to the School's education facility. More information regarding capital assets may be found in Note 3 to the financial statements. Depreciation expenses for capital assets are booked under the supporting services program of the School's operations.

The School has long-term debt in the form of a loan through the Charter Schools Development Corporation (CSDC). The proceeds of the loan were used for improvements to the School's educational facility. More information regarding long-term debt may be found in Note 4 to the financial statements.

## Economic Factors and Next Year's Budget

The primary factor driving the budget for Montessori del Mundo is student enrollment. Enrollment for the 2016-2017 school year was 228.20 funded students. Enrollment projected for 2017-2018 is 215.40 funded students. This factor was considered when preparing MDM's budget for 2017-2018.

## Requests for Information

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

Montessori del Mundo
15503 E Mississippi Avenue
Aurora, CO 80017

# BASIC FINANCIAL STATEMENTS

MONTESSORI DEL MUNDO

STATEMENT OF NET POSITION

June 30, 2017

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash | $ 373,434 |
| Restricted Cash | 5,225 |
| Accounts Receivable | 26,411 |
| Grants Receivable | 51,945 |
| Prepaid Expenses | 5,608 |
| Deposits | 10,000 |
| Capital Assets, Net of Accumulated Depreciation | 355,035 |
| TOTAL ASSETS | 827,658 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions, Net of Accumulated Amortization | 3,458,023 |
| LIABILITIES | |
| Accounts Payable | 19,103 |
| Accrued Liabilities | 34,073 |
| Accrued Salaries and Benefits | 67,454 |
| Noncurrent Liabilities | |
| Due Within One Year | 22,766 |
| Due in More Than One Year | 259,439 |
| Net Pension Liability | 6,382,141 |
| TOTAL LIABILITIES | 6,784,976 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions, Net of Accumulated Amortization | 23,452 |
| NET POSITION | |
| Net Investment in Capital Assets | 72,830 |
| Restricted for Capital Outlay | 5,225 |
| Restricted for Emergencies | 69,000 |
| Unrestricted | (2,669,802) |
| TOTAL NET POSITION | $ (2,522,747) |

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

MONTESSORI DEL MUNDO

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES: CHARGES FOR SERVICES | PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS | NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES |
|---|---|---|---|---|
| PRIMARY GOVERNMENT | | | | |
| **Governmental Activities** | | | | |
| Instruction | $ 2,652,399 | $ 136,470 | $ 280,628 | $ (2,235,301) |
| Supporting Services | 1,528,282 | - | 62,788 | (1,465,494) |
| Interest on Long-Term Debt | 17,038 | - | - | (17,038) |
| Total Governmental Activities | $ 4,197,719 | $ 136,470 | $ 343,416 | (3,717,833) |
| GENERAL REVENUES | | | | |
| Per Pupil Revenue | | | | 1,760,004 |
| Additional At-Risk Funding | | | | 1,732 |
| Capital Construction | | | | 63,361 |
| Grants and Contributions not Restricted to Specific Programs | | | | 8,930 |
| Miscellaneous | | | | 93,450 |
| TOTAL GENERAL REVENUES | | | | 1,927,477 |
| CHANGE IN NET POSITION | | | | (1,790,356) |
| NET POSITION, Beginning | | | | (732,391) |
| NET POSITION, Ending | | | | $ (2,522,747) |

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

MONTESSORI DEL MUNDO

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

| | | GENERAL |
|---|---|---|
| ASSETS | | |
| Cash | $ | 373,434 |
| Restricted Cash | | 5,225 |
| Accounts Receivable | | 26,411 |
| Grants Receivable | | 51,945 |
| Prepaid Expenditures | | 5,608 |
| Deposits | | 10,000 |
| TOTAL ASSETS | $ | 472,623 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES | | |
| Accounts Payable | $ | 19,103 |
| Accrued Liabilities | | 34,073 |
| Accrued Salaries and Benefits | | 67,454 |
| TOTAL LIABILITIES | | 120,630 |
| FUND BALANCE | | |
| Nonspendable Prepaid Expenditures | | 5,608 |
| Nonspendable Deposits | | 10,000 |
| Restricted for Capital Outlay | | 5,225 |
| Restricted for Emergencies | | 69,000 |
| Unrestricted, Unassigned | | 262,160 |
| TOTAL FUND BALANCE | | 351,993 |
| TOTAL LIABILITIES AND FUND BALANCE | $ | 472,623 |

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

| | | |
|---|---|---|
| Total Fund Balance of the Governmental Fund | $ | 351,993 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds. | | 355,035 |
| Long-term liabilities and related items, including loan payable ($282,205), net pension liability ($6,382,141), pension-related deferred outflows of resources $3,458,023, and pension-related deferred inflows of resources ($23,452), are not due and payable in the current year and, therefore, are not reported in governmental funds. | | (3,229,775) |
| Total Net Position of Governmental Activities | $ | (2,522,747) |

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

MONTESSORI DEL MUNDO

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

| | GENERAL |
|---|---|
| REVENUES | |
| Local Sources | $ 2,071,742 |
| State Sources | 230,060 |
| Federal Sources | 105,561 |
| TOTAL REVENUES | 2,407,363 |
| EXPENDITURES | |
| Instruction | 1,248,426 |
| Supporting Services | 1,318,526 |
| Debt Service | |
| Principal | 17,795 |
| Interest | 17,038 |
| TOTAL EXPENDITURES | 2,601,785 |
| NET CHANGE IN FUND BALANCE | (194,422) |
| FUND BALANCE, Beginning | 546,415 |
| FUND BALANCE, Ending | $ 351,993 |

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

| | |
|---|---|
| Net Change in Fund Balance of the Governmental Fund | $ (194,422) |
| 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 capital outlay $267,597 exceeded depreciation expense ($44,115) in the current year. | 223,482 |
| Repayment of debt principal is an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net position and does not affect the statement of activities. | 17,795 |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability ($3,714,538), pension-related deferred outflows of resources $1,862,999, and pension-related deferred inflows of resources $14,328 in the current year. | (1,837,211) |
| Change in Net Position of Governmental Activities | $ (1,790,356) |

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

## NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Montessori del Mundo (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On January 15, 2013, the School entered into a contract with the Colorado Charter School Institute (the "Institute") to authorize the School for an initial term of five years, through June 30, 2019. The School began operations in the Fall of 2014.

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

### Reporting Entity

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

The School includes the Montessori del Mundo Building Corporation (the "Corporation") within its reporting entity. The Corporation is a non-profit entity organized for the exclusive purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with the property leased to the School. The Corporation has no financial balances or transactions outside of those reported by the School, and therefore, is not reported separately in the financial statements. The Corporation does not issue separate financial statements.

### Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. Governmental activities, which normally are supported by taxes and 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. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues.

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

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

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

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

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

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

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

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

*Deposits* - The School has provided a security deposit for an operating lease (See Note 7).

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

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

| | |
|---|---|
| Leasehold Improvements | 10 years |

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

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

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

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as current expenses or expenditures.

*Pensions* - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

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

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

**Risk Management**

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

**NOTE 2: CASH AND INVESTMENTS**

The School's cash at June 30, 2017, consisted of the following:

| | |
|---|---|
| Petty Cash | $ 100 |
| Bank Deposits | 373,334 |
| Cash Held by Third Parties | 5,225 |
| Total | **$ 378,659** |

**NOTE 2: CASH AND INVESTMENTS** (Continued)

Cash is reported in the financial statements as follows:

| | |
|---|---|
| Cash | $ 373,434 |
| Restricted Cash | 5,225 |
| Total | **$ 378,659** |

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of $136,358 collateralized with securities held by the financial institution's agent but not in the School's name.

**Investments**

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statutes do not address custodial risk.

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

The School had no investments at June 30, 2017.

**Restricted Cash**

At June 30, 2017, the Charter Schools Development Corporation held School deposits of $5,225, which are restricted for capital outlay as determined by the related loan agreement (See Note 4).

## NOTE 3: CAPITAL ASSETS

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

| | Balances 6/30/16 | Additions | Deletions | Balances 6/30/17 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Being Amortized | | | | |
| Construction in Progress | $ 53,245 | $ - | $ (53,245) | $ - |
| Capital Assets, Being Amortized | | | | |
| Leasehold Improvements | 84,658 | 320,842 | - | 405,500 |
| Accumulated Amortization | (6,350) | (44,115) | - | (50,465) |
| Total Capital Assets, Being Amortized | 78,308 | 276,727 | - | 355,035 |
| Governmental Activities Capital Assets, Net | **$ 131,553** | **$ 276,727** | **$ (53,245)** | **$ 355,035** |

Amortization expense was charged to the supporting services program.

## NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

| | Balance 6/30/16 | Additions | Payments | Balance 6/30/17 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| CSDC Loan | **$ 300,000** | **$ -** | **$ 17,795** | **$ 282,205** | **$ 22,766** |

In November, 2015, the Corporation entered into a loan agreement with the Charter Schools Development Corporation (CSDC) in the amount of $300,000. Loan proceeds were used for improvements to the School's facilities. In addition, the School deposited $112,927 with CSDC to supplement the project. The loan bears interest at 7% per annum. Monthly principal and interest payments of $3,483 commenced on September 30, 2016, with the final payment due at maturity on August 31, 2026.

Future debt service requirements for the loan are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2018 | $ 22,766 | $ 19,033 | $ 41,799 |
| 2019 | 24,412 | 17,387 | 41,799 |
| 2020 | 26,176 | 15,623 | 41,799 |
| 2021 | 28,069 | 13,730 | 41,799 |
| 2022 | 30,098 | 11,701 | 41,799 |
| 2023 - 2027 | 150,684 | 23,479 | 174,163 |
| Total | **$ 282,205** | **$ 100,953** | **$ 383,158** |

## NOTE 5: DEFINED BENEFIT PENSION PLAN

### General Information

*Plan Description* - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

*Benefits Provided* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions* - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDFT for the year ended June 30, 2017, were $188,276, equal to the required contributions.

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

At June 30, 2017, the School reported a net pension liability of $6,382,141, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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 School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0214353789%, which was an increase of 0.0039935606% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $2,019,133. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 74,776 | $ 34 |
| Changes of assumptions and other inputs | 2,070,872 | 23,418 |
| Net difference between projected and actual earnings on plan investments | 168,095 | - |
| Changes in proportion | 1,044,232 | - |
| Contributions subsequent to the measurement date | 100,048 | - |
| Total | **$ 3,458,023** | **$ 23,452** |

School contributions subsequent to the measurement date of $100,048 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| Year Ended June 30, | |
|---|---|
| 2018 | $ 1,593,864 |
| 2019 | 1,203,043 |
| 2020 | 535,487 |
| 2021 | 2,129 |
| Total | **$ 3,334,523** |

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

| | Assumptions | Revised Assumptions |
|---|---|---|
| Price inflation | 2.8% | 2.4% |
| Real wage growth | 1.1% | 1.1% |
| Wage inflation | 3.9% | 3.5% |
| Salary increases, including wage inflation | 3.9% - 10.1% | 3.5% - 9.7% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.5% | 7.25% |
| Discount rate | 7.5% | 5.26% |
| Future post-retirement benefit increases: | | |
| Hired prior to 1/1/07 | 2% | 2% |
| Hired after 12/31/06 | ad hoc | ad hoc |

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected rate of return on plan investments was determined using 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.

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

*Discount Rate* - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

**NOTE 5: 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 (4.26%) | Current Discount Rate (5.26%) | 1% Increase (6.26%) |
|---|---|---|---|
| Proportionate share of net pension liability | $ 8,025,337 | $ 6,382,141 | $ 5,043,817 |

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

**NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was $9,900, $9,040 and $6,296, respectively, equal to the required amounts for each year.

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgements**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2017, significant amounts of related 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.

**NOTE 7: COMMITMENTS AND CONTINGENCIES** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of $69,000.

**Operating Lease**

On June 19, 2013, the Corporation entered into an agreement to lease an educational facility and simultaneously approved a sublease agreement with the School to use the facilities. The lease agreement was modified most recently on April 12, 2017, and requires monthly payments ranging from $17,999 to $22,909, beginning on August 1, 2017, through July 31, 2026. During the year ended June 30, 2017, the School paid $183,296 under this agreement.

A security deposit of $10,000 was required by the lease agreement, and is reported as a deposit in the financial statements. In addition, the lease agreement requires monthly common area maintenance payments. Beginning on August 1, 2017, the required monthly payments are $5,478. For the year ended June 30, 2017, the School paid $77,570 for maintenance of the common area.

Following is a schedule of future minimum lease payments required by the agreement.

| Year Ended June 30, | |
|---|---|
| 2018 | $ 215,054 |
| 2019 | 222,899 |
| 2020 | 229,675 |
| 2021 | 236,565 |
| 2022 | 243,662 |
| 2023 - 2027 | 1,072,881 |
| Total | **$ 2,220,736** |

# REQUIRED SUPPLEMENTARY INFORMATION

MONTESSORI DEL MUNDO

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 2017

| | 12/31/16 | 12/31/15 | 12/31/14 |
|---|---|---|---|
| PROPORTIONATE SHARE OF THE NET PENSION LIABILITY | | | |
| School's Proportion of the Net Pension Liability | 0.0214353789% | 0.0174418183% | 0.0128620403% |
| School's Proportionate Share of the Net Pension Liability | $ 6,382,141 | $ 2,667,603 | $ 1,743,238 |
| School's Covered Payroll | $ 962,057 | $ 760,109 | $ 269,413 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll | 663% | 351% | 647% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 43% | 59% | 63% |

| | 6/30/17 | 6/30/16 | 6/30/15 |
|---|---|---|---|
| SCHOOL CONTRIBUTIONS | | | |
| Statutorily Required Contribution | $ 178,376 | $ 157,389 | $ 104,555 |
| Contributions in Relation to the Statutorily Required Contribution | (178,376) | (157,389) | (104,555) |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| School's Covered Payroll | $ 970,564 | $ 886,307 | $ 617,307 |
| Contributions as a Percentage of Covered Payroll | 18.38% | 17.76% | 16.94% |

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

See the accompanying Independent Auditors' Report.

MONTESSORI DEL MUNDO

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2017

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|---|---|---|---|---|
| REVENUES | | | | |
| Local Sources | | | | |
| Per Pupil Revenue | $ 1,632,900 | $ 1,702,490 | $ 1,760,004 | $ 57,514 |
| Tuition and Fees | 180,446 | 134,589 | 136,470 | 1,881 |
| Grants | 360,000 | 360,000 | 72,888 | (287,112) |
| Contributions and Fundraising | - | - | 8,930 | 8,930 |
| Miscellaneous | - | - | 93,450 | 93,450 |
| Total Local Sources | 2,173,346 | 2,197,079 | 2,071,742 | (125,337) |
| State Sources | | | | |
| Additional At-Risk Funding | 1,274 | 1,319 | 1,732 | 413 |
| Capital Construction | 42,450 | 49,235 | 63,361 | 14,126 |
| Grants | 97,714 | 146,274 | 164,967 | 18,693 |
| Total State Sources | 141,438 | 196,828 | 230,060 | 33,232 |
| Federal Sources | | | | |
| Grants | 107,894 | 93,998 | 105,561 | 11,563 |
| TOTAL REVENUES | 2,422,678 | 2,487,905 | 2,407,363 | (80,542) |
| EXPENDITURES | | | | |
| Salaries | 1,126,536 | 1,176,285 | 1,153,903 | 22,382 |
| Employee Benefits | 370,119 | 331,123 | 290,602 | 40,521 |
| Purchased Services | 675,720 | 761,629 | 728,388 | 33,241 |
| Supplies and Materials | 72,910 | 82,770 | 88,503 | (5,733) |
| Property | 226,150 | 574,900 | 300,098 | 274,802 |
| Other | 32,937 | 64,624 | 5,458 | 59,166 |
| Debt Service | 20,319 | 20,320 | 34,833 | (14,513) |
| Contingency | 309,972 | 171,668 | - | 171,668 |
| TOTAL EXPENDITURES | 2,834,663 | 3,183,319 | 2,601,785 | 581,534 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (411,985) | (695,414) | (194,422) | 500,992 |
| OTHER FINANCING SOURCES | | | | |
| Debt Proceeds | 150,000 | 150,000 | - | (150,000) |
| NET CHANGE IN FUND BALANCE | (261,985) | (545,414) | (194,422) | 350,992 |
| FUND BALANCE, Beginning | 261,985 | 545,414 | 546,415 | 1,001 |
| FUND BALANCE, Ending | $ - | $ - | $ 351,993 | $ 351,993 |

See the accompanying Independent Auditors' Report.

## NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

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

### Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective at December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

## NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

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

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

- Prior to June 30, the budget is adopted by the Board of Directors.

- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

- All appropriations lapse at fiscal year end.