

**UNIVERSITY SCHOOLS  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**UNIVERSITY SCHOOLS  
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## INDEPENDENT AUDITORS' REPORT

Board of Governors  
University Schools  
Greeley, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Schools (the School), a component unit of Weld County School District 6, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University Schools as of June 30, 2019, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 – 7, the budgetary comparison information on pages 44 – 45 and the pension and OPEB schedules on pages 46 – 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
October 9, 2019

**UNIVERSITY SCHOOLS**  
*AN AUTHORIZED CHARTER SCHOOL OF WELD COUNTY SCHOOL DISTRICT 6*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

This section of the report provides readers with a narrative overview and analysis of the financial activities of University Schools (the School) for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

**Financial Highlights**

The School's liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$28,353,915 at June 30, 2019. This is largely related to the School's net pension liability of \$22,287,827. See Note 8 for further information. The School has no control over the financial funding of the net pension liability.

The School's General Fund balance reported an ending fund balance of \$4,932,930, a decrease of \$95,567. The total General Fund balance is 28% of the fiscal year 2019 General Fund expenditures.

The University School Building Corporation, a special revenue fund of the School, reported an ending fund balance of \$2,731,247, a decrease of \$167,614. 100% of this balance are reserves required for debt service, repair and replacement, and projects.

**Overview of the Financial Statements**

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Weld County School District 6 Board of Education, and for the general public. The report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and the Required Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements, which provide additional and more detailed information. Included as Required Supplementary Information is budget-to-actual information related to the Schools' General Fund and University Lab School Building Corporation, blended component unit, and pension and OPEB schedules as required under GASB Statement No. 68 and 75, further discussed in Notes 8 and 9.

**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 business.

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

**UNIVERSITY SCHOOLS**  
*AN AUTHORIZED CHARTER SCHOOL OF WELD COUNTY SCHOOL DISTRICT 6*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows during future fiscal periods.

The government-wide financial statements can be found on pages 8 – 9 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. University Schools, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds: the general fund, two special revenue funds (University Lab School Building Corporation and University Lab School Foundation), which are governmental funds, and one fiduciary fund.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the School. Fiduciary funds are not reflected in the government-wide financial statements because these sources of funds are not available to support the School's direct educational programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts an annual appropriated budget for its General Fund and for its University Lab School Building Corporation Fund. Budgetary comparison schedules have been provided for the General Fund and for the University Lab School Building Corporation Fund to demonstrate compliance with the budgets.

The basic governmental fund financial statements can be found on pages 10 – 13 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

**UNIVERSITY SCHOOLS**  
*AN AUTHORIZED CHARTER SCHOOL OF WELD COUNTY SCHOOL DISTRICT 6*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Government-wide Financial Analysis**

**Net Position:** As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2019, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by \$28,353,915.

The following table provides a summary of the School's net position for 2019 and 2018:

**Comparative Summary of Statement of Net Position**

	2019	2018
Assets:		
Current Assets	\$ 8,951,855	\$ 9,170,656
Capital Assets	23,504,766	22,474,776
Deferred Outflows of Resources	8,214,651	14,607,553
Total Assets and Deferred Outflows of Resources	40,671,272	46,252,985
Liabilities:		
Current Liabilities	1,752,170	1,639,788
Noncurrent Liabilities	50,955,560	74,278,129
Deferred Inflows of Resources	16,317,457	1,872,517
Total Liabilities and Deferred Inflows of Resources	69,025,187	77,790,434
Net Position:		
Net Investment in Capital Assets	(1,465,949)	(2,657,547)
Restricted	2,583,342	2,296,041
Unrestricted	(29,471,308)	(31,175,943)
Total Net Position	\$ (28,353,915)	\$ (31,537,449)

A significant portion of the School's net position reflects its investment in capital assets. These assets include land, buildings, equipment, and vehicles. These capital assets are used to provide services to students; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Long-term debts include the bonds issued for construction of the school building, pension obligations, and OPEB obligations. University Schools has no other long-term debt.

\$2,583,342 of the School's net position represents resources that are subject to external restrictions on how they may be used. Included in this category are the Taxpayer's Bill of Rights (TABOR) emergency reserves. The remaining restricted net position is restricted for debt service, construction, educational purposes, and the University Lab School Foundation.

**UNIVERSITY SCHOOLS**  
 AN AUTHORIZED CHARTER SCHOOL OF WELD COUNTY SCHOOL DISTRICT 6  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

The following table provides a summary of the School's change in net position for 2019 and 2018:

**Comparative Schedule of Revenues, Expenses, and Changes in Net Position**

	Year Ended June 30,	
	2019	2018
Program Revenues:		
Charges for Services	\$ 356,401	\$ 448,174
Operating Grants	3,902,102	1,655,721
Capital Grants	519,175	457,171
General Revenues:		
Per Pupil Funding	13,776,075	12,992,259
Interest Income	115,554	104,815
Other Revenue	973,969	525,391
Total Revenues	19,643,276	16,183,531
Expenses:		
Instruction	11,828,689	19,378,938
Support Services	3,187,371	3,071,371
Interest on Long-Term Debt	1,443,682	1,456,784
Total Expenses	16,459,742	23,907,093
Change in Net Position	3,183,534	(7,723,562)
Net Position - Beginning	(31,537,449)	(23,813,887)
Net Position - Ending	\$ (28,353,915)	\$ (31,537,449)

Governmental-wide activities increased University Schools' net position by \$3,183,534 in 2019. This is largely due to recording pension income of \$1,209,390 in excess of PERA contributions as required by governmental accounting standards.

**General Fund**

The General Fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of 4,932,930, a decrease of \$95,567. The decrease is a result of purchasing or replacing existing technology and curriculum/instructional resources.

**General Fund Budgetary Highlights**

Fiscal year 2019 revenue from Federal and State Sources are higher primarily due to a mill levy override that was approved by voters within Weld County School District 6's boundaries during the year ended June 30, 2019.

Expenditures for the year were lower than budgeted. This was mainly due to cost control and for capital outlay being less than expected.



**UNIVERSITY SCHOOLS**  
*AN AUTHORIZED CHARTER SCHOOL OF WELD COUNTY SCHOOL DISTRICT 6*  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

**Capital Asset and Debt Administration**

**Capital Assets:** The School's investment in capital assets as of June 30, 2019, amounts to \$23,504,766. This investment in capital assets includes land, buildings and building improvements, furniture and equipment, and vehicles. Additional information on the School's capital assets can be found in Note 3 of this report.

**Long-Term Debt:** The Building Corporation carries total bonded debt outstanding of \$27,985,000. Additional information on long-term debt and the related facility leases can be found in Notes 4 and 5 of this report.

**Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to University Schools, 6525 West 18<sup>th</sup> Street, Greeley, Colorado 80634.

**UNIVERSITY SCHOOLS  
STATEMENT OF NET POSITION  
JUNE 30, 2019**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 6,161,932
Restricted Cash and Investments	2,731,247
Accounts Receivable	58,676
Capital Assets, Not Being Depreciated	2,265,316
Capital Assets, Depreciated, Net of Accumulated Depreciation	21,239,450
Total Assets	32,456,621
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Refunding	1,225,326
Deferred OPEB Outflows	84,286
Deferred Pension Outflows	6,905,039
Total Deferred Outflows of Resources	8,214,651
<b>LIABILITIES</b>	
Accounts Payable	119,477
Accrued Salaries and Benefits	981,130
Accrued Interest	55,244
Unearned Revenue	36,353
Noncurrent Liabilities:	
Due Within One Year	559,966
Due in More than One Year	27,554,591
OPEB Liability	1,113,142
Net Pension Liability	22,287,827
Total Liabilities	52,707,730
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred OPEB Inflows	1,694
Deferred Pension Inflows	16,315,763
Total Deferred Inflows of Resources	16,317,457
<b>NET POSITION</b>	
Net Investment in Capital Assets	(1,465,949)
Restricted for:	
Emergencies	510,026
Educational Purposes - Mill Levy	1,213,778
Debt Service	408,546
Repairs and Replacement	300,274
Foundation	150,718
Unrestricted	(29,471,308)
Total Net Position	\$ (28,353,915)

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

	Program Revenues				
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position	
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional	\$ 11,828,689	\$ 356,401	\$ 3,902,102	\$ -	\$ (7,570,186)
Support Services	3,187,371	-	-	519,175	(2,668,196)
Interest on Long-Term Debt	1,443,682	-	-	-	(1,443,682)
Total Governmental Activities	\$ 16,459,742	\$ 356,401	\$ 3,902,102	\$ 519,175	(11,682,064)
<b>GENERAL REVENUES</b>					
Per Pupil Revenue					13,776,075
Interest Income					115,554
Other Income					973,969
Total General Revenues					14,865,598
<b>CHANGE IN NET POSITION</b>					3,183,534
Net Position - Beginning of Year					(31,537,449)
<b>NET POSITION - END OF YEAR</b>					\$ (28,353,915)

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General Fund	University Lab School Building Corporation	(Nonmajor) University Lab School Foundation	Total
<b>ASSETS</b>				
Cash	\$ 6,011,214	\$ -	\$ 150,718	\$ 6,161,932
Restricted Cash and Investments	-	2,731,247	-	2,731,247
Accounts Receivable	58,676	-	-	58,676
	<u>58,676</u>	<u>-</u>	<u>-</u>	<u>58,676</u>
 Total Assets	 <u>\$ 6,069,890</u>	 <u>\$ 2,731,247</u>	 <u>\$ 150,718</u>	 <u>\$ 8,951,855</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 119,477	\$ -	\$ -	\$ 119,477
Accrued Salaries and Benefits	981,130	-	-	981,130
Unearned Revenues	36,353	-	-	36,353
Total Liabilities	<u>1,136,960</u>	<u>-</u>	<u>-</u>	<u>1,136,960</u>
 <b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted				
Foundation	-	-	150,718	150,718
Educational Purposes - Mill Levy	1,213,778	-	-	1,213,778
Emergencies	510,026	-	-	510,026
Debt Service	-	2,372,543	-	2,372,543
Repairs and Replacement	-	300,274	-	300,274
Capital Projects	-	58,430	-	58,430
Assigned	2,621,923	-	-	2,621,923
Unassigned	587,203	-	-	587,203
Total Fund Balances	<u>4,932,930</u>	<u>2,731,247</u>	<u>150,718</u>	<u>7,814,895</u>
 Total Liabilities and Fund Balances	 <u>\$ 6,069,890</u>	 <u>\$ 2,731,247</u>	 <u>\$ 150,718</u>	 <u>\$ 8,951,855</u>

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS  
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Fund Balance - Governmental Funds		\$ 7,814,895
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$32,116,534 and accumulated depreciation is \$8,611,768.		
		23,504,766
Long-term liabilities and related items, including deferred losses on refundings, are not due and payable in the current year and, therefore, are not reported in the funds.		
Deferred Loss on Refunding, Net of Accumulated Amortization		1,225,326
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	(27,985,000)	
Accrued Interest on Bonds Payable	(55,244)	
Bond Premium, Net of Accumulated Amortization	(129,557)	
OPEB Liability	(1,113,142)	
Net Pension Liability	<u>(22,287,827)</u>	(51,570,770)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension		6,905,039
OPEB		84,286
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension		(16,315,763)
OPEB		<u>(1,694)</u>
Total Net Position		<u>\$ (28,353,915)</u>

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2019**

	General Fund	University Lab School Building Corporation	(Nonmajor) University Lab School Foundation	Total
<b>REVENUES</b>				
Per Pupil Funding	\$ 13,776,075	\$ -	\$ -	\$ 13,776,075
Local Sources	41,200	-	27,881	69,081
State and Federal Sources	2,621,741	-	-	2,621,741
Student Fees	356,401	-	-	356,401
Interest Income	47,474	68,082	-	115,556
Oil Royalties	-	432,656	-	432,656
Rent and Other	247,506	1,863,666	-	2,111,172
Total Revenues	<u>17,090,397</u>	<u>2,364,404</u>	<u>27,881</u>	<u>19,482,682</u>
<b>EXPENDITURES</b>				
Current:				
Instruction	11,083,240	-	-	11,083,240
Support Services	4,717,030	852	86,436	4,804,318
Debt Service				
Principal	-	540,000	-	540,000
Interest	-	1,354,700	-	1,354,700
Capital Outlay	1,768,694	253,466	-	2,022,160
Total Expenditures	<u>17,568,964</u>	<u>2,149,018</u>	<u>86,436</u>	<u>19,804,418</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(478,567)	215,386	(58,555)	(321,736)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	383,000	-	-	383,000
Transfers out	-	(383,000)	-	(383,000)
Total Other Financing Sources (Uses)	<u>383,000</u>	<u>(383,000)</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	(95,567)	(167,614)	(58,555)	(321,736)
Fund Balance - Beginning of Year	<u>5,028,497</u>	<u>2,898,861</u>	<u>209,273</u>	<u>8,136,631</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 4,932,930</u></u>	<u><u>\$ 2,731,247</u></u>	<u><u>\$ 150,718</u></u>	<u><u>\$ 7,814,895</u></u>

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2019**

Net Change in Fund Balance - Governmental funds		\$ (321,736)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of \$992,170 is exceeded by capital outlay of \$2,022,160.		
	1,029,990	
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.		540,000
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities		553
Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Premium Amortization	9,966	
Loss on Refunding Amortization	<u>(99,501)</u>	(89,535)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
OPEB Expense	(24,995)	
Pension Income	1,209,390	
Proportionate Share of State Contribution	<u>839,867</u>	<u>2,024,262</u>
Change in Net Position		<u>\$ 3,183,534</u>

See accompanying Notes to Basic Financial Statements.

**UNIVERSITY SCHOOLS  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019**

	<u>Student Activity</u>
<b>ASSETS</b>	
Cash and Investments	<u>\$ 176,469</u>
<b>LIABILITIES</b>	
Due to Student Groups	<u>\$ 176,469</u>

*See accompanying Notes to Basic Financial Statements.*



**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of University Schools (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 reporting principles. The following is a summary of the School's significant accounting policies:

**Reporting Entity**

GASB has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

Within a year of its founding, the University of Northern Colorado (UNC) established a "model school" to provide a classroom setting to train Normal School teachers and to provide a laboratory for faculty to experiment with curriculum and classroom teaching methods. The model school was renamed the Training School in 1899, with the first high school commencement held in 1901. College High was adopted in the 1920s and was changed to University High in 1970 with the change to University status for UNC.

On September 30, 1998, the University Schools were chartered by UNC pursuant to the Charter Schools Act (Colorado Revised Statutes §22-30.5-101) with funding through Weld County School District 6 (the District). In 2000, the University relinquished the charter and a nonprofit group began operating the School effective July 1, 2001.

The Charter Schools Act permits school districts to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the District's Board of Education must approve all charter school applications and budgets.

The School operates under a charter granted by the District's Board of Education. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the state of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2018), there were 1,725 FTE students. The PPR rate for the fiscal year ended June 30, 2019, was approximately \$7,974.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The accompanying financial statements present the School and its component units, an entity for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The University Laboratory School Building Corporation (the Building Corporation) meets the requirements for blending.

The School also includes the University Laboratory School Foundation (the Foundation), within its reporting entity. This is a nonprofit organization formed to bring together the School's parents and staff, as well as the community at large, in support of the School. The Foundation is a blended component unit presented in the School's financial statements. Separate financial statements are not issued.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals 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. Other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the School's government-wide statements. Major individual funds are reported in separate columns in the fund financial statements.

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenues from donations are recognized when the funds are pledged to the School.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

As of June 30, 2019 the Building Corporation's investment in CSAFE of \$2,682,443 has a maturity date of 12 months or less.

*Credit Risk:* The School has no policy toward credit risk other than to follow State statutes, which limit certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk:* State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

The following is a reconciliation of cash and investments per this note to the basic financial statements:

Cash and investments at June 30, 2019 consisted of the following:

Cash – Governmental Activities	\$ 6,161,932
Restricted Cash and Investments – Governmental Activities	2,731,247
Cash and Investments – Fiduciary Fund	<u>176,469</u>
Total	<u><u>\$ 9,069,648</u></u>

**Fair Value:** The School 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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

The Foundation Fund has the following recurring fair value measurements as of June 30, 2019:

	<u>June 30, 2019</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Mutual Funds	<u>\$ 103,260</u>	<u>103,260</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u><u>\$ 103,260</u></u>	<u><u>\$ 103,260</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

The Building Corporation Fund has the following investments measured at amortized cost as of June 30, 2019:

	<u>June 30, 2019</u>
Investments Measured at Amortized Cost:	
CSAFE	<u>\$ 2,682,443</u>
Total Investments at Amortized Cost	<u><u>\$ 2,682,443</u></u>

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The School reports the following non-major funds:

***Non-major Governmental Fund***

*Special Revenue - University Laboratory School Foundation:* Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the Foundation.

***Fiduciary Fund***

*Agency Fund - Student Activity:* Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School has one agency fund, the student activity fund, which holds assets used by students for specific school activities.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**Cash and Investments**

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts, and pooled investment funds. Investments are carried at fair value, except for the School's investment in an external investment pool, which is measured at amortized cost.

**Capital Assets**

Capital assets, which include land, buildings and building improvements, furniture and equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial individual cost of \$5,000 or more and an estimated useful life in excess of one year. Capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 3 to 50 years.

**Deferred Outflows of Resources**

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School reports deferred outflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Notes 8 and 9 for additional information. The School also has a deferred outflow of resources related to a loss on bond refunding.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accrued Salaries and Benefits**

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$981,130.

**Long-Term Debt**

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Net Pension Liability**

The School's governmental activities report a net pension liability as of June 30, 2019. The School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

**Deferred Inflows of Resources**

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred inflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Notes 8 and 9 for additional information.

**Net Position/Fund Balance**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds are classified as non-spendable, restricted, committed, assigned or unassigned.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Non-spendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances indicate amounts constrained for specific purpose by external parties, constitutional provision or enabling legislation. Restrictions on the School's General Fund balance and Building Corporation fund are described in Note 7.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require a resolution by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balances indicate amounts for governmental funds, other than the General Fund, for any remaining positive amounts not classified in the above categories. For the General Fund, amounts constrained for the intent to be used for a specific purpose have been delegated to the business manager. The School has \$2,621,923 in assigned fund balance in the General Fund for future capital improvements

Unassigned fund balances indicate amounts in the General Fund that are not classified as non-spendable, restricted, committed, or assigned. The General Fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed, then assigned resources first, then unassigned resources as needed.

**NOTE 2 CASH AND INVESTMENTS**

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, the School's carrying amount of deposits was \$6,201,636. At June 30, 2019, the University Laboratory School Foundation's carrying amount of deposits was \$47,459. At June 30, 2019, the Student Activity fiduciary fund's carrying amount of deposits was \$185,562.

**University Laboratory School Building Corporation**

The bonds require the Building Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly payments from the School (Note 4) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

At June 30, 2019, \$1,908,889 is held in reserve accounts required by the bond agreements which is to be used for the payment of principal and interest on the bond in the event that sufficient funds are not available to make such payments when due. \$463,654 is held in reserve accounts required by the bond agreements, which are to be used for the current principal and interest payments on the bonds. In addition, at June 30, 2019, \$300,274 is held in a repair and replacement fund. A \$10,000 annual deposit into this fund is required until the fund equals or exceeds \$300,000. Withdrawals from the fund are allowed for repair and replacement of the school facility. Additionally, \$9,627 is held in a project fund to be used for future construction.

*Investments:* The School does not hold investments. The cash and investment reserve accounts owned by the Building Corporation are in the custody of the trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the trustee as directed by the Building Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to 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' acceptance of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds

At June 30, 2019, the Building Corporation's investments consisted of an external investment pool, the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements creating and operating CSAFE. Investments in the external investment pool are shown at amortized cost for financial reporting purposes. CSAFE is rated AAAM by Standards and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments.

*Interest Rate Risk:* The extent to which changes in interest rates will adversely affect the fair value of an investment is defined as interest rate risk. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

As of June 30, 2019 the Building Corporation's investment in CSAFE of \$2,682,443 has a maturity date of 12 months or less.

*Credit Risk:* The School has no policy toward credit risk other than to follow State statutes, which limit certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk:* State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

The following is a reconciliation of cash and investments per this note to the basic financial statements:

Cash and investments at June 30, 2019 consisted of the following:

Cash – Governmental Activities	\$ 6,161,932
Restricted Cash and Investments – Governmental Activities	2,731,247
Cash and Investments – Fiduciary Fund	<u>176,469</u>
Total	<u>\$ 9,069,648</u>

**Fair Value:** The School 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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

The Foundation Fund has the following recurring fair value measurements as of June 30, 2019:

	<u>June 30, 2019</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments by Fair Value Level:				
Mutual Funds	<u>\$ 103,260</u>	<u>103,260</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments by Fair Value Level	<u>\$ 103,260</u>	<u>\$ 103,260</u>	<u>\$ -</u>	<u>\$ -</u>

The Building Corporation Fund has the following investments measured at amortized cost as of June 30, 2019:

	<u>June 30, 2019</u>
Investments Measured at Amortized Cost:	
CSAFE	<u>\$ 2,682,443</u>
Total Investments at Amortized Cost	<u>\$ 2,682,443</u>



**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, Not Depreciated				
Construction in Progress	\$ 37,000	\$ 65,085	\$ -	102,085
Land	2,163,231	-	-	2,163,231
Total Capital Assets, Not Being Depreciated	2,200,231	65,085	-	2,265,316
Capital Assets, Being Depreciated:				
Land Improvements	1,131,217	-	-	1,131,217
Buildings and Building Improvements	23,747,078	1,077,892	-	24,824,970
Furniture and Equipment	2,647,187	685,544	-	3,332,731
Vehicles	368,661	193,639	-	562,300
Total Capital Assets, Being Depreciated	27,894,143	1,957,075	-	29,851,218
Accumulated Depreciation:				
Land Improvements	(246,360)	(38,370)	-	(284,730)
Buildings and Building Improvements	(5,439,258)	(509,167)	-	(5,948,425)
Furniture and Equipment	(1,825,966)	(392,864)	-	(2,218,830)
Vehicles	(108,014)	(51,769)	-	(159,783)
Total Accumulated Depreciation	(7,619,598)	(992,170)	-	(8,611,768)
Total Capital Assets, Being Depreciated, Net	20,274,545	964,905	-	21,239,450
Total Capital Assets, Net	<u>\$ 22,474,776</u>	<u>\$ 1,029,990</u>	<u>\$ -</u>	<u>\$ 23,504,766</u>

Depreciation expense of \$745,451 was charged to instructional activities for the year ended June 30, 2019. Depreciation expense of \$246,719 was charged to support services activities for the year ended June 30, 2019.

**NOTE 4 BONDS PAYABLE**

On March 26, 2015, the Colorado Educational and Cultural Facilities Authority (the Authority) issued its Charter School Revenue Bonds as the University Schools Project, Series 2015, in the amount of \$29,630,000. The bonds were issued for the University Laboratory School Building Corporation's use in refinancing certain outstanding debt of the Building Corporation used to finance the acquisition, construction improvement, and equipping of the educational facilities of the Building Corporation, to fund a debt service reserve fund for the Series 2015 bonds, to fund capitalized interest on the Series 2015 bonds, and pay the cost of issuance of the Series 2015 bonds.

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 4 BONDS PAYABLE (CONTINUED)**

The Authority and Building Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Building Corporation. The Series 2015 bonds mature in 2045 with a 5% interest rate.

The Building Corporation has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the trustee.

The lease revenues, which are the basis of the pledged revenues, are described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, \$52,542,025.

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was \$1,863,666 for the year ended June 30, 2019.

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2019:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 550,000	\$ 1,341,075	\$ 1,891,075
2021	570,000	1,322,800	1,892,800
2022	585,000	1,299,700	1,884,700
2023	615,000	1,275,700	1,890,700
2024	635,000	1,250,700	1,885,700
2025-2029	3,610,000	5,808,850	9,418,850
2030-2034	4,580,000	4,805,000	9,385,000
2035-2039	5,840,000	3,508,500	9,348,500
2040-2044	7,465,000	1,853,125	9,318,125
2045-2046	3,535,000	178,875	3,713,875
Total	<u>\$ 27,985,000</u>	<u>\$ 22,644,325</u>	<u>\$ 50,629,325</u>

Changes in bonds payable for the year ended June 30, 2019 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2018</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2019</u>	<u>Due Within</u>
					<u>One Year</u>
Bonds Payable	\$ 28,525,000	\$ -	\$ 540,000	\$ 27,985,000	\$ 550,000
Bond Premium	139,523	-	9,966	129,557	9,966
	<u>\$ 28,664,523</u>	<u>\$ -</u>	<u>\$ 549,966</u>	<u>\$ 28,114,557</u>	<u>\$ 559,966</u>

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 5 LEASES**

The School leases its building from the Building Corporation. The lease requires monthly payments, which approximate the Building Corporation's required payments on the bonds (Note 4) and may be terminated in any year by non-appropriation of funds. The Facilities Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense was \$1,899,408 for the year ended June 30, 2019, and is included in expenditures in the general fund. The School has other leases where payments fluctuate year to year that are also included in expenditures in the general fund.

The lease between the School (lessee) and the Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School believes it is in compliance with the covenants at June 30, 2019.

The School also has a lease agreement to share certain facilities, including an auditorium, track and baseball field with Frontier Academy. The lease commenced December 2002 with automatic renewal each year unless terminated through May 2031. The two schools jointly share the cost, management, and profits of the shared facilities. Frontier Academy paid the required lease payments of \$83,274 for the year ended June 30, 2019. Once the School fulfills its obligations under the lease with the Building Corporation and obtains title to the property, and Frontier has paid in full all obligations under this lease, the Building Corporation will convey title to the shared properties to the School and Frontier Academy as tenants in common.

Future projected lease payments and receipts as of June 30, 2019 are as follows:

<u>Year Ending June 30,</u>	<u>Payments</u>	<u>Receipts</u>	<u>Net</u>
2020	\$ 1,901,075	\$ 83,186	\$ 1,817,889
2021	1,900,300	83,419	1,816,881
2022	1,899,700	83,492	1,816,208
2023	1,900,700	83,386	1,817,314
2024	1,898,200	83,410	1,814,789
2025-2029	9,503,850	417,479	9,086,371
2030-2034	9,497,500	243,914	9,253,586
2035-2039	9,496,000	-	9,496,000
2040-2044	9,505,625	-	9,505,625
2045-2048	2,851,375	-	2,851,375
Total	<u>\$ 50,354,325</u>	<u>\$ 1,078,286</u>	<u>\$ 49,276,039</u>

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 6 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE**

On November 3, 1992, the voters of the state approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt and spending and restricts property, income, and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue. The 3% emergency reserve is still required both at the District and the School level. At June 30, 2019, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance.

The Building Corporation is required to hold funds in accounts related to its bond obligations as identified in Note 2. Net position/fund balance are restricted attributable to the restrictions on its cash and investments.

**NOTE 7 DEFINED BENEFIT PENSION PLAN**

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

**General Information about the Pension Plan**

*Plan Description:* Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S), administrative rules are 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](http://www.copera.org/investments/pera-financial-reports).

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% 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.

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the 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.

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions:* Eligible employees of the School 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	(1.02)	(1.02)
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13	9.13
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50	5.50
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	19.13 %	19.13 %

<sup>1</sup> Rates 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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2019 were \$1,459,806.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State to the SCHDTF.

At June 30, 2019, the School reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the School under the direct distribution provision to allocate funds from the State of Colorado budget to PERA on an annual basis beginning in July 2018.

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The amount recognized by the School as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School were as follows:

School's Proportionate Share of the Net Pension Liability	\$ 22,287,827
State's Proportionate Share of the Net Pension Liability Associated with the School	<u>3,047,551</u>
Total	<u><u>\$ 25,335,378</u></u>

At December 31, 2018, the School's proportion was 0.1258697647%, which was a decrease of 0.0137031713% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized pension expense of \$(2,021,013) and revenue of \$15,656 for the support provided by the State as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 756,028	\$ -
Changes of Assumptions or Other Inputs	4,160,120	13,860,631
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,214,826	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	89,842	2,455,132
Contributions Subsequent to the Measurement Date	<u>684,223</u>	<u>-</u>
Total	<u><u>\$ 6,905,039</u></u>	<u><u>\$ 16,315,763</u></u>

\$684,223 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (1,738,697)
2021	(5,411,889)
2022	(3,608,894)
2023	664,533
2024	-
Thereafter	-
Total	<u><u>\$ (10,094,947)</u></u>



**UNIVERSITY SCHOOLS  
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YEAR ENDED JUNE 30, 2019**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial Assumptions:* The December 31, 2017 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

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 <sup>1</sup>	4.78%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00% Compounded Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

Discount Rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% Compounded Annually, Thereafter
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

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

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

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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 0.5% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of \$225,000,000, commencing July 1, 2018, and is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The Annual Increase Reserve (AIR) balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

**UNIVERSITY SCHOOLS  
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**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.43% were used in the discount rate determination resulting in a discount rate of 4.78%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 28,335,159	\$ 22,287,827	\$ 17,213,096

*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](http://www.copera.org/investments/pera-financial-reports).

**UNIVERSITY SCHOOLS  
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**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**General Information about the OPEB Plan**

*Plan Description*

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided*

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

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

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

**UNIVERSITY SCHOOLS  
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**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

*PERA Benefit Structure*

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

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

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$77,836 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$1,113,142 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the (Entity)'s proportion was 0.0818160377%, which was an increase of 0.0025112550% from its proportion measured as of December 31, 2017.

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**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

For the year ended June 30, 2019, the School recognized OPEB expense of \$15,288. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 4,040	\$ 1,694
Changes of Assumptions or other Inputs	7,809	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	6,401	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	29,554	-
Contributions Subsequent to the Measurement Date	36,482	-
Total	\$ 84,286	\$ 1,694

\$36,482 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ 8,646
2021	8,646
2022	8,648
2023	13,092
2024	6,812
Thereafter	266

**UNIVERSITY SCHOOLS  
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**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

*Actuarial Assumptions*

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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 % in the Aggregate	
Long-Term Investment Rate of Return, Net of OPEB Plan		
Investment Expenses, Including Price Inflation	7.25%	
Discount rate	7.25%	
Health Care Cost Trend Rates		
Service-based Premium Subsidy	0.00%	
PERACare Medicare Plans	5.00%	
Medicare Part A Premiums	3.25% for 2018, Gradually to 5.00% in 2025	Rising

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

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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



**UNIVERSITY SCHOOLS  
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**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

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

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

<u>Medicare Plan</u>	<u>Cost for Members Members Without Medicare Part A</u>
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**UNIVERSITY SCHOOLS  
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**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

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

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

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

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

<u>Asset Class</u>	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
<b>Total</b>	<b>100.00</b>	

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

*Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Proportionate Share of the Net OPEB Liability	\$ 1,082,403	\$ 1,113,142	\$ 1,148,496

*Discount Rate*

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

**UNIVERSITY SCHOOLS  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2019**

**NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 1,245,508	\$ 1,113,142	\$ 999,980

*OPEB Plan Fiduciary Net Position*

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**UNIVERSITY SCHOOLS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —**  
**BUDGET AND ACTUAL — GENERAL FUND**  
**YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
	<u>Budget</u>	<u>Actual</u>	<u>(Negative)</u>
<b>REVENUES</b>			
Per Pupil Funding	\$ 15,215,415	\$ 13,776,075	\$ (1,439,340)
Local Sources	107,200	41,200	(66,000)
State and Federal Sources	488,383	2,621,741	2,133,358
Student Fees	382,784	356,401	(26,383)
Interest Income	9,300	47,474	38,174
Rent and Other	160,917	247,506	86,589
Total Revenues	<u>16,363,999</u>	<u>17,090,397</u>	<u>726,398</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	10,681,743	11,083,240	(401,497)
Support Services	6,998,410	4,717,030	2,281,380
Capital Outlay	525,000	1,768,694	(1,243,694)
Total Expenditures	<u>18,205,153</u>	<u>17,568,964</u>	<u>636,189</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(1,841,154)	(478,567)	1,362,587
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	383,000	383,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>383,000</u>	<u>383,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,841,154)	(95,567)	1,745,587
Fund Balance - Beginning of Year	<u>2,168,030</u>	<u>5,028,497</u>	<u>2,860,467</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 326,876</u>	<u>\$ 4,932,930</u>	<u>\$ 4,606,054</u>

See accompanying Notes to Required Supplementary Information.

**UNIVERSITY SCHOOLS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —**  
**BUDGET AND ACTUAL — UNIVERSITY LAB SCHOOL BUILDING CORPORATION**  
**YEAR ENDED JUNE 30, 2019**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Interest Income	\$ 25,000	\$ 68,082	\$ 43,082
Oil & Gas Royalties	440,000	432,656	(7,344)
Rent	1,900,000	1,863,666	(36,334)
Total Revenues	2,365,000	2,364,404	(596)
<b>EXPENDITURES</b>			
Capital Outlay	345,000	253,466	91,534
Support Services	-	852	(852)
Debt Service:			
Principal	540,000	540,000	-
Interest	1,360,000	1,354,700	5,300
Total Expenditures	2,245,000	2,149,018	95,982
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	120,000	215,386	95,386
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers Out	(440,000)	(383,000)	57,000
Total Other Financing Sources (Uses)	(440,000)	(383,000)	57,000
<b>NET CHANGE IN FUND BALANCE</b>	(320,000)	(167,614)	152,386
Fund Balance - Beginning of Year	1,920,000	2,898,861	978,861
<b>FUND BALANCE - END OF YEAR</b>	\$ 1,600,000	\$ 2,731,247	\$ 1,131,247

See accompanying Notes to Required Supplementary Information.

**UNIVERSITY SCHOOLS  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS \***

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014
School's Proportion of the Net Pension Liability	0.125869765%	0.139572936%	0.139116913%	0.136258193%	0.136676215%
School's Proportionate Share of the Net Pension Liability	\$ 22,287,827	\$ 45,132,927	\$ 41,420,485	\$ 20,839,729	\$ 18,524,218
State's Proportionate Share of the Net Pension Liability associated with the School**	3,047,551	-	-	-	-
Total	<u>\$ 25,335,378</u>	<u>\$ 45,132,927</u>	<u>\$ 41,420,485</u>	<u>\$ 20,839,729</u>	<u>\$ 18,524,218</u>
Covered Payroll	\$ 6,919,716	\$ 6,437,095	\$ 6,243,817	\$ 5,906,205	\$ 5,652,192
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	322.1%	701.1%	663.4%	352.8%	327.7%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.01%	43.96%	43.1%	59.2%	62.8%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

\*\* A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.



**UNIVERSITY SCHOOLS  
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS - PENSION  
LAST 10 FISCAL YEARS \***

Fiscal Year	2019	2018	2017	2016	2015
Contractually Required Contribution	\$ 1,459,806	\$ 1,250,782	\$ 1,168,763	\$ 1,081,601	\$ 960,138
Contributions in Relation to the Contractually Required Contribution	<u>1,459,806</u>	<u>1,250,782</u>	<u>1,168,763</u>	<u>1,081,601</u>	<u>960,138</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 7,630,990	\$ 6,621,776	\$ 6,357,093	\$ 6,098,457	\$ 5,643,347
Contributions as a Percentage of Covered Payroll	19.1%	18.9%	18.4%	17.7%	17.0%

\* The amounts presented for each fiscal year were determined as of June 30.  
Information earlier than 2015 was not available

**UNIVERSITY SCHOOLS  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE OPEB LIABILITY  
LAST 10 FISCAL YEARS \***

Fiscal Year	2019	2018	2017
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective OPEB Liability	0.0818160377%	0.0793047827%	0.0790757122%
School's Proportionate Share of the Collective OPEB Liability	\$ 1,113,142	\$ 1,030,645	\$ 1,025,243
Covered Payroll	\$ 6,919,716	\$ 6,437,095	\$ 6,243,817
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16.09%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.03%	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

**UNIVERSITY SCHOOLS**  
**SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS**  
**JUNE 30, 2019**

<b>Fiscal Year</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Contractually Required Contribution	\$ 77,836	\$ 67,542	\$ 64,842
Contributions in Relation to the Contractually Required Contribution	<u>77,836</u>	<u>67,542</u>	<u>64,842</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
(Entity)'s Covered Payroll	\$ 7,630,990	\$ 6,621,776	\$ 6,357,093
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%

\* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2017 was not available

**UNIVERSITY SCHOOLS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The public hearings are conducted by the School's board of directors to obtain parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's board of directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the board of directors.
- f) Budgets for all fund types are adopted on a basis consistent with U.S. generally accepted accounting principles.
- g) Budgeted amounts reported in the accompanying required supplementary information are as originally adopted and as amended by the board of directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's board of directors on May 9, 2018. The final Building Corporation's budget was approved by the Board on May 28, 2019.
- h) There was no legally adopted budget for the University Lab School Foundation Fund.
- i) All appropriations lapse at the end of each fiscal year.