

**ROOTS ELEMENTARY SCHOOL**  
**Denver, Colorado**

**FINANCIAL STATEMENTS**

**June 30, 2017**



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# **ROOTS ELEMENTARY SCHOOL**

June 30, 2017

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Board of Directors  
Roots Elementary School  
Denver, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Roots Elementary School, component unit of Denver Public Schools, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Roots Elementary School, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Roots Elementary School as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters (Required Supplementary Information)**

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

*Ernst & Young LLP*

October 12, 2017

**Roots Elementary School**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2017

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

## **Financial Highlights**

The year ended June 30, 2017 is the second year of operations for Roots. As of June 30, 2017, net position decreased by \$(321,191) to \$28,335. Roots Elementary School's governmental fund reported an ending fund balance of \$591,894, a decrease of \$(12,302) from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$1,004,957.

## **Overview of Financial Statements**

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

### ***Government-Wide Financial Statements***

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

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

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

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

### ***Fund Financial Statements***

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

### **Governmental Funds**

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

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

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

### **Proprietary Funds**

The School also maintains a proprietary fund to record the activity of the Roots Elementary Building Corporation (the "Corporation"). The Corporation was formed to acquire and hold real and/or personal property for, and to make the same available for use by, the School, and to otherwise provide facilities, equipment, and other physical plant and related support to the School.

### ***Notes to the Financial Statements***

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

## **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2017, Roots's combined net position was \$28,335. This position includes a net pension liability in the amount of \$1,190,075, representing the School's proportionate share of the Denver Public Schools Division pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, \$(284,214) is invested in capital assets net of related debt, and \$55,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

## Roots Elementary School's Net Position

	<b>2016-2017</b>	<b>2015-2016</b>
<b>ASSETS</b>		
Cash	\$ 308,171	\$ 515,623
Restricted Cash and Investments	278,553	2,798,935
Accounts Receivable	1,190	-
Grants Receivable	323,820	126,539
Prepaid Expenses	813	-
Deposits	-	5,000
Capital Assets, Not Being Depreciated	-	4,482,707
Capital Assets, Net of Accumulated Depreciation	<u>5,407,497</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><b>6,320,044</b></u>	<u><b>7,928,804</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>762,393</u>	<u>735,555</u>
<b>LIABILITIES</b>		
Accounts Payable	33,713	841,033
Retainage Payable	-	380,546
Accrued Liabilities	9,432	5,129
Accrued Interest Payable	55,320	28,952
Noncurrent Liabilities		
Due Within One Year	-	-
Due in More Than One Year	5,690,666	6,100,000
Net Pension Liability	<u>1,190,075</u>	<u>862,616</u>
<b>TOTAL LIABILITIES</b>	<u><b>6,979,206</b></u>	<u><b>8,218,276</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>74,896</u>	<u>96,557</u>
<b>NET POSITION</b>		
Net Investment in Capital Assets	(284,214)	(31,052)
Restricted for Debt Service	218,362	-
Restricted for Facility Replacement	4,871	-
Restricted for Emergencies	55,000	57,000
Unrestricted	<u>34,316</u>	<u>323,578</u>
<b>TOTAL NET POSITION</b>	<u><u><b>\$ 28,335</b></u></u>	<u><u><b>\$ 349,526</b></u></u>

## Roots Elementary School's Change in Net Position

	2016-2017	2015-2016
<b>REVENUES</b>		
Per Pupil Revenue	\$ 1,004,957	\$ 541,802
Additional At-Risk Funding	1,269	893
District Mill Levy	302,326	142,628
Capital Construction	35,929	17,784
Grants and Contributions no Restricted to Specific Programs	1,040,848	1,181,119
Charges for Services	40,089	8,390
Operating Grants and Contributions	173,491	94,541
Capital Grants and Contributions	4,862	80,000
Investment Income	688	409
Other	-	1,226
	<u>2,604,459</u>	<u>2,068,792</u>
<b>TOTAL REVENUE</b>		
<b>EXPENSES</b>		
Instruction	1,024,956	670,473
Support Services	1,506,021	996,215
Building Corporation	394,673	31,052
	<u>2,925,650</u>	<u>1,697,740</u>
<b>TOTAL EXPENSES</b>		
CHANGE IN NET POSITION	(321,191)	371,052
NET POSITION, Beginning	<u>349,526</u>	<u>(21,526)</u>
NET POSITION, Ending	<u>\$ 28,335</u>	<u>\$ 349,526</u>

The School received \$463,155 more in PPR in FY17 because of an increase in students of 60.54 FTE over FY16. This is due to adding a grade level and increasing the number of students in existing grades. The School received \$900 more per student in mill levy funding due to the successful mill levy vote in Denver in November 2016, increasing that line item by \$159,698. Total expenses increased by \$1,227,910. Of this amount, \$328,758 was for salaries and benefits to handle the student increases. Purchased professional services increased by \$158,256 and supplies more than doubled to \$249,474.

### Financial Analysis of the Government's Funds

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

The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$591,894, a decrease of \$(12,302) from the prior year. The decrease resulted because the School strategically raised funds in the prior year that were spent in the current fiscal year.

As of the end of the current fiscal year, the School's Proprietary Fund reported an ending fund balance of \$(65,981), a decrease of \$(34,929) from the prior year.

## **General Fund Budgetary Highlights**

Roots recognized \$70,651 more revenue than expected and spent \$304,882 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue was increased to account for more students than anticipated and to reflect the income from Denver's successful Mill Levy vote in November 2016. Expenditures were increased to account for planned facility expenses and purchased professional services fees.

## **Capital Assets & Long-Term Debt**

The School has invested in capital assets for the School's education facility, which was completed in 2016-2017, as well as equipment in support of the School's educational program. More information regarding capital assets may be found in Note 4 to the financial statements.

The School has long-term debt in the form of two loans. The proceeds of 2016 loans from Self-Help Ventures Fund and the Charter School Growth Fund were used to construct and equip the School's education facilities. More information regarding long-term debt may be found in Note 5 to the financial statements.

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

The primary factor driving the budget for Roots Elementary School is student enrollment. Enrollment for the 2016-2017 school year was 129.40 funded students. Enrollment projected for 2017-2018 is 182 funded students. This factor was considered when preparing Roots' budget for 2017-2018.

## **Requests for Information**

This financial report is designed to provide a general overview of Roots Elementary 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 the School:

Roots Elementary School  
3350 Hudson Street  
Denver, CO 80207

## **BASIC FINANCIAL STATEMENTS**

ROOTS ELEMENTARY SCHOOL

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash	\$ 308,171	\$ -	\$ 308,171
Restricted Cash	-	278,553	278,553
Accounts Receivable	1,190	-	1,190
Grants Receivable	323,820	-	323,820
Prepaid Expenses	813	-	813
Capital Assets, Net of Accumulated Depreciation	5,000	5,402,497	5,407,497
<b>TOTAL ASSETS</b>	<b>638,994</b>	<b>5,681,050</b>	<b>6,320,044</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	762,393	-	762,393
<b>LIABILITIES</b>			
Accounts Payable	32,668	1,045	33,713
Accrued Liabilities	9,432	-	9,432
Accrued Interest Payable	-	55,320	55,320
Noncurrent Liabilities			
Due in More Than One Year	-	5,690,666	5,690,666
Net Pension Liability	1,190,075	-	1,190,075
<b>TOTAL LIABILITIES</b>	<b>1,232,175</b>	<b>5,747,031</b>	<b>6,979,206</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	74,896	-	74,896
<b>NET POSITION</b>			
Net Investment in Capital Assets	5,000	(289,214)	(284,214)
Restricted for Debt Service	-	218,362	218,362
Restricted for Facility Replacement	-	4,871	4,871
Restricted for Emergencies	55,000	-	55,000
Unrestricted	34,316	-	34,316
<b>TOTAL NET POSITION</b>	<b>\$ 94,316</b>	<b>\$ (65,981)</b>	<b>\$ 28,335</b>

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 1,024,956	\$ 9,446	\$ 92,402	\$ -
Supporting Services	1,506,021	30,643	81,089	4,862
Total Governmental Activities	2,530,977	40,089	173,491	4,862
<b>Business-Type Activities</b>				
Building Corporation	394,673	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,925,650</b>	<b>\$ 40,089</b>	<b>\$ 173,491</b>	<b>\$ 4,862</b>

GENERAL REVENUES

Per Pupil Revenue

Additional At-Risk Funding

District Mill Levy

Capital Construction

Grants and Contributions not Restricted to  
Specific Programs

Investment Income

TRANSFERS

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE  
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (923,108)	\$ -	\$ (923,108)
<u>(1,389,427)</u>	<u>-</u>	<u>(1,389,427)</u>
<u>(2,312,535)</u>	<u>-</u>	<u>(2,312,535)</u>
<u>-</u>	<u>(394,673)</u>	<u>(394,673)</u>
<u>(2,312,535)</u>	<u>(394,673)</u>	<u>(2,707,208)</u>
1,004,957	-	1,004,957
1,269	-	1,269
302,326	-	302,326
35,929	-	35,929
1,040,848	-	1,040,848
688	-	688
<u>(359,744)</u>	<u>359,744</u>	<u>-</u>
<u>2,026,273</u>	<u>359,744</u>	<u>2,386,017</u>
(286,262)	(34,929)	(321,191)
<u>380,578</u>	<u>(31,052)</u>	<u>349,526</u>
<u>\$ 94,316</u>	<u>\$ (65,981)</u>	<u>\$ 28,335</u>

ROOTS ELEMENTARY SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash	\$ 308,171
Accounts Receivable	1,190
Grants Receivable	323,820
Prepaid Expenditures	<u>813</u>
TOTAL ASSETS	<u>\$ 633,994</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 32,668
Accrued Liabilities	<u>9,432</u>
TOTAL LIABILITIES	<u>42,100</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	813
Restricted for Emergencies	55,000
Unrestricted, Unassigned	<u>536,081</u>
TOTAL FUND BALANCE	<u>591,894</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 633,994</u>
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 591,894
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,000
Long-term liabilities and related items, including net pension liability (\$1,190,075), pension-related deferred outflows of resources \$762,393, and pension-related deferred inflows of resources (\$74,896), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(502,578)</u>
Total Net Position of Governmental Activities	<u>\$ 94,316</u>

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

ROOTS ELEMENTARY SCHOOL

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

	GENERAL
REVENUES	
Local Sources	\$ 2,074,666
State Sources	82,644
Federal Sources	447,149
TOTAL REVENUES	2,604,459
EXPENDITURES	
Current	
Instruction	882,687
Supporting Services	1,734,074
TOTAL EXPENDITURES	2,616,761
NET CHANGE IN FUND BALANCE	(12,302)
FUND BALANCE, Beginning	604,196
FUND BALANCE, Ending	\$ 591,894
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ (12,302)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents capital outlay in the current year.	5,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability (\$327,459), pension-related deferred outflows of resources \$26,838, and pension-related deferred inflows of resources \$21,661 in the current year.	(278,960)
Change in Net Position of Governmental Activities	\$ (286,262)

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF NET POSITION  
PROPRIETARY FUND

June 30, 2017

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash	\$ 278,553
TOTAL CURRENT ASSETS	278,553
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>5,402,497</u>
TOTAL ASSETS	<u>5,681,050</u>
LIABILITIES	
CURRENT LIABILITIES	
Accounts Payable	1,045
Accrued Interest Payable	<u>55,320</u>
TOTAL CURRENT LIABILITIES	56,365
NONCURRENT LIABILITIES	
Loans Payable	<u>5,690,666</u>
TOTAL LIABILITIES	<u>5,747,031</u>
NET POSITION	
Net Investment in Capital Assets	(289,214)
Restricted for Debt Service	218,362
Restricted for Facility Replacement	<u>4,871</u>
TOTAL NET POSITION	<u>\$ (65,981)</u>

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
 Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Income	<u>\$ 359,744</u>
OPERATING EXPENSES	
Purchased Services	141
Depreciation	136,196
Debt Service	
Interest and Fiscal Charges	<u>269,939</u>
TOTAL OPERATING EXPENSES	<u>406,276</u>
NET OPERATING INCOME (LOSS)	(46,532)
NONOPERATING REVENUES	
Investment Income	<u>11,603</u>
CHANGE IN NET POSITION	(34,929)
NET POSITION, Beginning	<u>(31,052)</u>
NET POSITION, Ending	<u><u>\$ (65,981)</u></u>

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

ROOTS ELEMENTARY SCHOOL

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash

Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease Payments Received	\$ 359,744
Loan Interest and Fees Paid	(243,571)
Cash Paid to Suppliers	<u>(141)</u>
Net Cash Provided (Used) by Operating Activities	<u>116,032</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Loan Proceeds	100,000
Construction and Acquisition of Capital Assets	(2,238,683)
Loan Principal Paid	<u>(509,334)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(2,648,017)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income Received	<u>11,603</u>
<b>NET CHANGE IN CASH</b>	<b>(2,520,382)</b>
CASH, Beginning	<u>2,798,935</u>
CASH, Ending	<u><u>\$ 278,553</u></u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	
Net Operating Income (Loss)	\$ (46,532)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	136,196
Changes in Assets and Liabilities	
Accrued Interest Payable	<u>26,368</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 116,032</u></u>

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Roots Elementary School (the “School”) was established pursuant to the Colorado Charter Schools Act to form and operate a charter school within Denver Public Schools (the “District”). The School began classes in the Fall of 2015.

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

**Reporting Entity**

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

Based upon the application of this criteria, the School includes the Roots Elementary Building Corporation (the “Corporation”) within its reporting entity. The Corporation was formed to acquire and hold real and/or personal property for, and to lease or make the same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Corporation is blended into the School’s financial statements as an enterprise fund and does not issue separate financial statements.

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

**Government-wide and Fund Financial Statements**

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

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

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

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

*Building Corporation* - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

*Cash Equivalents* - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less. Cash held by third parties is considered a cash equivalent.

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

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

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

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

Building	40 years
Equipment	5 years

Net interest incurred during construction is included in the capitalized value of capital assets in the enterprise fund.

*Compensated Absences* - Employees of the School are allowed to accumulate unused personal leave to a maximum of 10 days. The School does not reimburse or otherwise compensate terminated employees for any unused personal leave. Therefore, no liability is reported in the financial statements for these compensated absences.

*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

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

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

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

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

**Risk Management**

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

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

**Accountability**

At June 30, 2017, the Corporation had a negative net position of \$65,981. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

**NOTE 3: CASH AND INVESTMENTS**

At June 30, 2017, the School and the Corporation had the following cash:

Bank Deposits	\$ 363,959
Cash Held by Third Party	<u>222,765</u>
Total	<u><u>\$ 586,724</u></u>

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

Cash is reported in the financial statements as follows:

Cash	\$ 308,171
Restricted Cash	<u>278,553</u>
Total	<u><u>\$ 586,724</u></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of \$151,831 that were uninsured and uncollateralized.

**Investments**

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following.

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

State statutes do not address custodial risk. State statutes generally limit investments to an original maturity of five years, unless a longer maturity is authorized by the governing board.

The School and the Corporation had no investments at June 30, 2017.

**Restricted Cash**

At June 30, 2017, the Corporation had cash of \$278,553 restricted by its loan agreement for debt service and facility replacement (See Note 5).

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 4: CAPITAL ASSETS**

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

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/17</u>
<b>Governmental Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ -	\$ 5,000	\$ -	\$ 5,000
Governmental Activities Capital Assets, Net	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Construction in Progress	\$ 4,482,707	\$ 1,055,986	\$ 5,538,693	\$ -
Capital Assets, Being Depreciated				
Buildings	-	5,538,693	-	5,538,693
Less Accumulated Depreciation				
Buildings	-	(136,196)	-	(136,196)
Total Capital Assets, Being Depreciated, Net	<u>-</u>	<u>5,402,497</u>	<u>-</u>	<u>5,402,497</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,482,707</u>	<u>\$ 6,458,483</u>	<u>\$ 5,538,693</u>	<u>\$ 5,402,497</u>

**NOTE 5: LONG-TERM DEBT**

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

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/17</u>	<u>Due Within</u> <u>One Year</u>
<b>Business-Type Activities</b>					
Self-Help Loan	\$ 5,100,000	\$ -	\$ 509,334	\$ 4,590,666	\$ -
CSGF Loan	1,000,000	100,000	-	1,100,000	-
Total	<u>\$ 6,100,000</u>	<u>\$ 100,000</u>	<u>\$ 509,334</u>	<u>\$ 5,690,666</u>	<u>\$ -</u>

On January 8, 2016, the Corporation obtained a loan from the Self-Help Ventures Fund in the amount of \$5,100,000. Proceeds of the loan were used to construct the School's education facilities. Interest accrues at 4.71% per annum. Interest-only payments are due monthly beginning February 1, 2016. All principal and any unpaid interest is due in full on September 1, 2018. Beginning in October 2016, the loan agreement requires that the School deposit monthly payments of \$530 into a Capital Asset Reserve Account for replacement and renovation of the facilities, and monthly payments of \$9,450 into a Sinking Fund Account to be used for debt payments in the event of default or other working capital needs of the School.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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

On January 8, 2016, the Corporation entered into a loan agreement with the Charter School Growth Fund (CSGF) in the amount of \$1,200,000. Loan proceeds were used to construct and equip the School's education facilities. At June 30, 2016, loan proceeds of \$1,000,000 were disbursed, with the remaining \$200,000 to be disbursed upon satisfaction of an annual performance review. On December 13, 2016, additional loan proceeds of \$100,000 were disbursed. Interest accrues on the outstanding balance of the loan at 2.5% per annum. All principal and accrued interest is due in full on September 1, 2018.

Annual debt service requirements for the outstanding loans are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 219,223	\$ 219,223
2019	<u>5,690,666</u>	<u>124,725</u>	<u>5,815,391</u>
Total	<u><b>\$ 5,690,666</b></u>	<u><b>\$ 343,948</b></u>	<u><b>\$ 6,034,614</b></u>

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**General Information**

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

*Benefits Provided* - The DPSD provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) \$15 times the first ten years of service credit plus \$20 times the service credit over ten years, plus a monthly amount equal to the annuitized participant contribution account balance based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information** (Continued)

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

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

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

*Contributions* - The School and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, the State Legislature allowed the School to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 7). As a result, the School's contribution rates for calendar years 2016 and 2017 were 3.61% and 5.09% of covered salaries, respectively. In addition, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The School's contributions to the DPSD for the year ended June 30, 2017, were \$38,129, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

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

At June 30, 2017, the School reported a net pension liability of \$1,190,075, representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The School's proportion of the net pension liability was based on the School's contributions to the DPSD for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.1086357856%, which was an increase of 0.0026027142% from its proportion measured at December 31, 2015.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

For the year ended June 30, 2017, the School recognized pension expense of \$308,148. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 29,156	\$ 2,418
Changes of assumptions and other inputs	175,153	72,478
Net difference between projected and actual earnings on plan investments	125,750	-
Changes in proportion	414,480	-
Contributions subsequent to the measurement date	<u>17,854</u>	<u>-</u>
Total	<b><u>\$ 762,393</u></b>	<b><u>\$ 74,896</u></b>

School contributions subsequent to the measurement date of \$17,854 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 211,351
2019	211,351
2020	211,351
2021	<u>35,590</u>
Total	<b><u>\$ 669,643</u></b>

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

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

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

<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%
Total	<u><u>100.00%</u></u>	

*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 assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 1,740,571</u>	<u>\$ 1,190,075</u>	<u>\$ 735,405</u>

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

**NOTE 7: PENSION CERTIFICATES OF PARTICIPATION**

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 6). For the year ended June 30, 2017, the School contributed 10.02% of covered salaries, totaling \$87,808, to the District to cover its obligation relating to the PCOPs.

**NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS**

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

*Funding Policy* - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD participants. No employee contributions are required. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017 and 2016 was \$8,939 and \$6,243, respectively, equal to the required amounts for each year.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

ROOTS ELEMENTARY SCHOOL

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$55,000.

**Land Use Agreement**

On December 30, 2015, the School entered into a land use agreement with a subsidiary of the Urban Land Conservancy. The agreement allowed the School to construct education facilities on the land and use the facilities from January 1, 2016, through December 31, 2114. The School has an extension option for an additional 99 years. During the year ended June 30, 2017, the School paid land use fees under this agreement of \$3,500. As required by the agreement, the land use fees will increase by 5% every five years to a maximum of \$25,000 annually.

**REQUIRED SUPPLEMENTARY INFORMATION**

ROOTS ELEMENTARY SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND CONTRIBUTIONS  
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO  
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY		
School's Proportion of the Net Pension Liability	0.1086357856%	0.1060330714%
School's Proportionate Share of the Net Pension Liability	\$ 1,190,075	\$ 862,616
School's Covered Payroll	\$ 717,831	\$ 331,750
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	166%	260%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	79%
	<u>6/30/17</u>	<u>6/30/16</u>
SCHOOL CONTRIBUTIONS		
Statutorily Required Contribution	\$ 29,190	\$ 11,766
Contributions in Relation to the Statutorily Required Contribution	<u>(29,190)</u>	<u>(11,766)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 876,332	\$ 611,926
Contributions as a Percentage of Covered Payroll	3.33%	1.92%

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

See the accompanying Independent Auditors' Report.

ROOTS ELEMENTARY SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 976,848	\$ 1,004,957	\$ 1,004,957	\$ -
District Mill Levy	238,355	302,474	302,326	(148)
Student Fees and Activities	-	-	9,446	9,446
Food Service Fees	12,557	-	30,643	30,643
Grants and Contributions	879,902	725,469	726,606	1,137
Investment Income	-	-	688	688
Miscellaneous	46,860	-	-	-
State Sources				
Instruction Grants	19,950	46,058	43,345	(2,713)
Food Service Grants	1,376	-	2,101	2,101
Additional At-Risk Funding	-	-	1,269	1,269
Capital Construction	22,501	35,929	35,929	-
Federal Sources				
Instruction Grants	256,045	369,019	369,019	-
Food Service Grants	121,746	49,902	78,130	28,228
<b>TOTAL REVENUES</b>	<b>2,576,140</b>	<b>2,533,808</b>	<b>2,604,459</b>	<b>70,651</b>
EXPENDITURES				
Salaries	887,213	872,000	888,546	(16,546)
Employee Benefits	285,493	234,000	218,369	15,631
Purchased Professional Services	-	226,000	244,522	(18,522)
Purchased Property Services	-	409,500	423,010	(13,510)
Other Purchased Services	578,242	435,596	446,623	(11,027)
Supplies and Materials	179,237	255,000	249,474	5,526
Property	424,700	129,000	141,370	(12,370)
Other	-	3,100	4,847	(1,747)
Contingency	214,143	357,447	-	357,447
<b>TOTAL EXPENDITURES</b>	<b>2,569,028</b>	<b>2,921,643</b>	<b>2,616,761</b>	<b>304,882</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	7,112	(387,835)	(12,302)	375,533
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	100,000	-	(100,000)
<b>NET CHANGE IN FUND BALANCE</b>	<b>7,112</b>	<b>(287,835)</b>	<b>(12,302)</b>	<b>275,533</b>
FUND BALANCE, Beginning	456,122	604,196	604,196	-
FUND BALANCE, Ending	\$ 463,234	\$ 316,361	\$ 591,894	\$ 275,533

See the accompanying Independent Auditors' Report.

ROOTS ELEMENTARY SCHOOL

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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

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

**Changes in Assumptions and Other Inputs**

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

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

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

**Budgets and Budgetary Accounting**

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

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

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

All appropriations lapse at fiscal year end.