

Roots Elementary School
(A Component Unit of Denver Public Schools)
Denver, Colorado

Financial Statements

June 30, 2019

Roots Elementary School
(A Component Unit of Denver Public Schools)
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 June 30, 2019

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Independent Auditors' Report

Board of Directors
Roots Elementary School
Denver, Colorado

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, 2019, 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, 2019, 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.

Emphasis of Matter

Going Concern

The accompanying financial statements have been prepared assuming that the Roots Elementary School will continue as a going concern. As discussed in Note 10 to the financial statements, the Roots Elementary School ceased operations effective June 30, 2019. Our opinion is not modified with respect to this matter.

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.

Hick & Company, PC

Greenwood Village, Colorado
October 16, 2019



Roots Elementary School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2019

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, 2019. This will be the final year of operations for the School. We anticipate that the School will be dissolved by January 2020. 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, 2019 was the fourth and final year of operations for Roots. As of June 30, 2019, net position decrease by \$721,749 to \$(1,213,826). Roots Elementary School's governmental fund reported an ending fund balance of \$206,732 a decrease of \$224,785 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 \$1,428,120.

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. We anticipate that the Corporation will be dissolved concurrent with the School, prior to January 2020.

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, 2019, Roots's combined net position was \$(1,213,826).

Roots Elementary School's Net Position

Roots Elementary School's Net Position

| | 2018-19 | 2017-18 |
|---|-----------------------|---------------------|
| ASSETS | | |
| Cash | \$ 215,395 | \$ 456,981 |
| Restricted Cash and Investments | 19,677 | 287,811 |
| Accounts Receivable | 20,041 | 19,790 |
| Grants Receivable | - | 40,523 |
| Capital Assets, Net of Accumulated Depreciation | 5,229,600 | 5,391,393 |
| TOTAL ASSETS | 5,484,713 | 6,196,498 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pensions, Net of Accumulated Amortization | 473,551 | 877,895 |
| OPEB, Net of Accumulated Amortization | 20,971 | 23,387 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 494,522 | 901,282 |
| LIABILITIES | | |
| Accounts Payable | 8,750 | 35,028 |
| Accrued Liabilities | 20,999 | 30,294 |
| Unearned Revenue | - | 25,000 |
| Accrued Interest Payable | 118,661 | 80,820 |
| Noncurrent Liabilities | | |
| Due Within One year | 5,590,666 | 100,000 |
| Due in More Than One Year | - | 5,590,666 |
| Net Pension Liability | 985,804 | 1,312,900 |
| OPEB Liability | 66,085 | 74,429 |
| TOTAL LIABILITIES | 6,790,965 | 7,249,137 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pensions, Net of Accumulated Amortization | 394,426 | 338,396 |
| OPEB, Net of Accumulated Amortization | 7,670 | 2,324 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 402,096 | 340,720 |
| NET POSITION | | |
| Net Investment in Capital Assets | (361,066) | (299,273) |
| Restricted for Debt Service | 19,677 | 191,103 |
| Restricted for Facility Replacement | - | 11,343 |
| Restricted for Emergencies | - | 77,000 |
| Unrestricted | (872,437) | (472,250) |
| TOTAL NET POSITION | \$ (1,213,826) | \$ (492,077) |

Roots Elementary School's Change in Net Position

Roots Elementary School's Change in Net Position

| | 2018-19 | 2017-18 |
|--|-----------------------|---------------------|
| GENERAL REVENUES | | |
| Per Pupil Revenue | \$ 1,428,120 | \$ 1,277,673 |
| Additional At-Risk Funding | - | 1,587 |
| District Mill Levy | 382,871 | 350,177 |
| Capital Construction | 50,132 | 42,409 |
| Grants and Contributions not Restricted to Specific Programs | 276,047 | 476,838 |
| Charges for Services | 10,571 | 16,748 |
| Operating Grants and Contributions | 284,338 | 226,867 |
| Investment Income | 568 | 4,299 |
| Other | 3,308 | 710 |
| | <u>2,435,955</u> | <u>2,397,308</u> |
| SPECIAL ITEM | | |
| Disposal of Operations | <u>(286,755)</u> | <u>-</u> |
| TOTAL GENERAL REVENUES AND TRANSFERS | <u>2,149,200</u> | <u>2,397,308</u> |
| EXPENSES | | |
| Instruction | 2,048,456 | 1,680,127 |
| Supporting Services | 244,960 | 793,238 |
| Building Corporation | <u>577,533</u> | <u>389,612</u> |
| TOTAL EXPENSES | <u>2,870,949</u> | <u>2,862,977</u> |
| CHANGE IN NET POSITION | (721,749) | (465,669) |
| NET POSITION, Beginning | <u>(492,077)</u> | <u>(26,408)</u> |
| NET POSITION, Ending | <u>\$ (1,213,826)</u> | <u>\$ (492,077)</u> |

The School received \$150,447 more in PPR in FY19 due to the addition of a grade level and 23.21 funded students. Total expenses decreased by \$19,273.

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.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$206,732, a decrease of \$(224,795) from the prior year. The decrease resulted from the decision to strategically and conservatively spend the fund balance due an enrollment shortfall and the need to provide students with a robust education experience.

As of the end of the current fiscal year, the School's Proprietary Fund reported an ending fund balance of \$(461,095), a decrease of \$(343,824) from the prior year.

After this fiscal year, Roots Elementary School will spend a limited amount of funds on activities and costs related to the winding down of the entities, such as legal costs. After those costs have been paid, the remaining balance will be returned to lenders.

General Fund Budgetary Highlights

The primary factor driving the budget for Roots Elementary School is student enrollment. Enrollment for the 2018-2019 school year was 184 funded students. Roots recognized \$183,174 more revenue than expected and spent \$(381,081) less than planned, when compared to the final board-approved budget. This was largely driven by changes in mid-year staffing and the maintenance of a conservative budget for closure expenditures.

Capital Assets & Long-Term Debt

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. As of the publication date of these financial statements, the expectation is that the facility will be sold on September 15, 2019 or returned to the lender. All potential sale proceeds, in addition to the School's and Corporation's cash balance at closure, will be returned to Self-Help Ventures Fund and the Charter School Growth Fund in order to settle outstanding debt.

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 prior to dissolution, or to Denver Public Schools:

Roots Elementary School
1624 Market St
Ste 226 #47778
Denver, Colorado 80202-2523

Basic Financial Statements

Roots Elementary School
(A Component Unit of Denver Public Schools)
Statement of Net Position
June 30, 2019

| | Governmental Activities | Business-Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Assets | | | |
| Cash | \$ 215,395 | \$ - | \$ 215,395 |
| Restricted Cash | - | 19,677 | 19,677 |
| Accounts Receivable | 20,041 | - | 20,041 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | - | 5,229,600 | 5,229,600 |
| Total Assets | 235,436 | 5,249,277 | 5,484,713 |
| Deferred Outflows of Resources | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 473,551 | - | 473,551 |
| OPEB, <i>Net of Accumulated Amortization</i> | 20,971 | - | 20,971 |
| Total Deferred Outflows of Resources | 494,522 | - | 494,522 |
| Liabilities | | | |
| Accounts Payable | 7,705 | 1,045 | 8,750 |
| Accrued Liabilities | 20,999 | - | 20,999 |
| Accrued Interest Payable | - | 118,661 | 118,661 |
| Noncurrent Liabilities | | | |
| Due Within One Year | - | 5,590,666 | 5,590,666 |
| Net Pension Liability | 985,804 | - | 985,804 |
| OPEB Liability | 66,085 | - | 66,085 |
| Total Liabilities | 1,080,593 | 5,710,372 | 6,790,965 |
| Deferred Inflows of Resources | | | |
| Pensions, <i>Net of Accumulated Amortization</i> | 394,426 | - | 394,426 |
| OPEB, <i>Net of Accumulated Amortization</i> | 7,670 | - | 7,670 |
| Total Deferred Inflows of Resources | 402,096 | - | 402,096 |
| Net Position | | | |
| Net Investment in Capital Assets | - | (361,066) | (361,066) |
| Restricted for: | | | |
| Debt Service | - | 19,677 | 19,677 |
| Unrestricted | (752,731) | (119,706) | (872,437) |
| Total Net Position | \$ (752,731) | \$ (461,095) | \$ (1,213,826) |

See Notes to Financial Statements.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Statement of Activities
For the Year Ended June 30, 2019

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) Revenue and Change in Net Position | | |
|--|--------------|----------------------|------------------------------------|--|--------------------------|----------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-Type Activities | Total |
| Primary Government | | | | | | |
| <i>Governmental Activities</i> | | | | | | |
| Instruction | \$ 2,048,456 | \$ 4,332 | \$ 184,460 | \$ (1,859,664) | \$ - | \$ (1,859,664) |
| Supporting Services | 244,960 | 6,239 | 99,878 | (138,843) | - | (138,843) |
| Total Governmental Activities | 2,293,416 | 10,571 | 284,338 | (1,998,507) | - | (1,998,507) |
| <i>Business-Type Activities</i> | | | | | | |
| Building Corporation | 577,533 | - | - | - | (577,533) | (577,533) |
| Total Primary Government | \$ 2,870,949 | \$ 10,571 | \$ 284,338 | (1,998,507) | (577,533) | (2,576,040) |
| General Revenues | | | | | | |
| Per Pupil Revenue | | | | 1,428,120 | - | 1,428,120 |
| District Mill Levy | | | | 382,871 | - | 382,871 |
| Capital Construction | | | | 50,132 | - | 50,132 |
| Grants and Contributions not Restricted to Specific Programs | | | | 276,047 | - | 276,047 |
| Investment Income | | | | 568 | - | 568 |
| Other | | | | 3,308 | - | 3,308 |
| Transfers | | | | (233,709) | 233,709 | - |
| Special Item | | | | | | |
| Disposal of Operations | | | | (286,755) | - | (286,755) |
| Total General Revenues and Transfers | | | | 1,620,582 | 233,709 | 1,854,291 |
| Change in Net Position | | | | (377,925) | (343,824) | (721,749) |
| Net Position, Beginning of year | | | | (374,806) | (117,271) | (492,077) |
| Net Position, End of year | | | | \$ (752,731) | \$ (461,095) | \$ (1,213,826) |

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Balance Sheet
 Governmental Fund
 June 30, 2019

| | General |
|-------------------------------------|------------|
| Assets | |
| Cash | \$ 215,395 |
| Accounts Receivable | 20,041 |
| Total Assets | \$ 235,436 |
| Liabilities and Fund Balance | |
| <i>Liabilities</i> | |
| Accounts Payable | \$ 7,705 |
| Accrued Liabilities | 20,999 |
| Total Liabilities | 28,704 |
| <i>Fund Balance</i> | |
| Unrestricted, Unassigned | 206,732 |
| Total Fund Balance | 206,732 |
| Total Liabilities and Fund Balance | \$ 235,436 |

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

| | |
|---|--------------|
| Total Fund Balance of the Governmental Fund | 206,732 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Net pension liability | (985,804) |
| Pension-related deferred outflows of resources | 473,551 |
| Pension-related deferred inflows of resources | (394,426) |
| Net OPEB liability | (66,085) |
| OPEB-related deferred outflows of resources | 20,971 |
| OPEB-related deferred inflows of resources | (7,670) |
| Total Net Position of Governmental Activities | \$ (752,731) |

Roots Elementary School
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2019

| | General |
|---|--------------|
| Revenues | |
| Local Sources | \$ 2,101,485 |
| State Sources | 131,462 |
| Federal Sources | 175,681 |
| Total Revenues | 2,408,628 |
| Expenditures | |
| Instruction | 2,146,146 |
| Supporting Services | 215,956 |
| Total Expenditures | 2,362,102 |
| Excess of Revenues Over (Under) Expenditures | 46,526 |
| Special Item | |
| Disposal of Operations | (271,311) |
| Net Change in Fund Balance | (224,785) |
| Fund Balance, <i>Beginning of year</i> | 431,517 |
| Fund Balance, <i>End of year</i> | \$ 206,732 |

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2019

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

| | |
|--|---------------------|
| Net Change in Fund Balance of the Governmental Fund | \$ (224,785) |
| <p>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.</p> | |
| Depreciation expense | (5,000) |
| Loss on disposal of assets | (15,444) |
| <p>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 includes changes in the following.</p> | |
| Net pension liability | 327,096 |
| Pension-related deferred outflows of resources | (404,344) |
| Pension-related deferred inflows of resources | (56,031) |
| Net OPEB liability | 8,344 |
| OPEB-related deferred outflows of resources | (2,416) |
| OPEB-related deferred inflows of resources | <u>(5,345)</u> |
| Change in Net Position of Governmental Activities | <u>\$ (377,925)</u> |

Roots Elementary School
 (A Component Unit of Denver Public Schools)
 Statement of Net Position
 Proprietary Fund
 June 30, 2019

| | <u>Building Corporation</u> |
|--|---------------------------------|
| Assets | |
| <i>Current Assets</i> | |
| Restricted Cash | \$ 19,677 |
| <i>Noncurrent Assets</i> | |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>5,229,600</u> |
| Total Assets | <u>5,249,277</u> |
| Liabilities | |
| <i>Current Liabilities</i> | |
| Accounts Payable | 1,045 |
| Accrued Interest Payable | 118,661 |
| Loan Payable, Current Portion | <u>5,590,666</u> |
| Total Current Liabilities | <u>5,710,372</u> |
| Total Liabilities | <u>5,710,372</u> |
| Net Position | |
| Net Investment in Capital Assets | (361,066) |
| Restricted for: | |
| Debt Service | 19,677 |
| Unassigned Net Position | <u>(119,706)</u> |
| Total Net Position | <u>\$ (461,095)</u> |

Roots Elementary School
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2019

| | <u>Building Corporation</u> |
|---|---------------------------------|
| Operating Revenues | |
| Lease Income | \$ <u>233,709</u> |
| Operating Expenses | |
| Purchased Services | 115 |
| Depreciation | 141,349 |
| <i>Debt Service</i> | |
| Interest | <u>334,946</u> |
| Total Operating Expenses | <u>476,410</u> |
| Net Operating Loss | (242,701) |
| Nonoperating Revenues (Expenses) | |
| Donation from the School | <u>(101,123)</u> |
| Change in Net Position | (343,824) |
| Net Position, <i>Beginning of year</i> | <u>(117,271)</u> |
| Net Position, <i>End of year</i> | <u>\$ <u>(461,095)</u></u> |

Roots Elementary School
(A Component Unit Denver Public Schools)
 Statement of Cash Flows
 Proprietary Fund
 Increase (Decrease) in Cash
 For the Year Ended June 30, 2019

| | <u>Building Corporation</u> |
|---|---------------------------------|
| Cash Flows From Operating Activities | |
| Lease Payments Received | \$ 233,709 |
| Loan Interest Paid | (297,105) |
| Loan Principal Paid | (100,000) |
| Cash Paid to Suppliers | <u>(3,615)</u> |
| Net Cash Provided (Used) by Operating Activities | <u>(167,011)</u> |
| Cash Flows From Non Capital Financing Activities | |
| Donation from the School | <u>(101,123)</u> |
| Net Change in Cash | (268,134) |
| Cash, Beginning of year | <u>287,811</u> |
| Cash, End of year | <u><u>\$ 19,677</u></u> |
| | |
| Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities | |
| Net Operating Loss | \$ (242,701) |
| Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities | |
| Depreciation Expense | 141,349 |
| Changes in Assets and Liabilities | |
| Accrued Interest Payable | 37,841 |
| Loan Payable | (100,000) |
| Accounts Payable | <u>(3,500)</u> |
| Net Cash Provided (Used) by Operating Activities | <u><u>\$ (167,011)</u></u> |
| | |
| Noncash Capital Transactions | |
| Contributed Capital Assets | <u><u>\$ -</u></u> |

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies

Nature of Operations

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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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*.

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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

Assets, Liabilities and Net Position/Fund Balance

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.

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 |
| Vehicles and Equipment | 5 years |

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

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - Employees of the School are allowed to accumulate unused personal leave to a maximum of 10 days. The School did 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.

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 the DPSD. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Denver Public Schools Health Care Trust Fund (HCTF), a single-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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.

Roots Elementary School
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 Notes to Financial Statements
 June 30, 2019

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

Subsequent Events

We have evaluated subsequent events through October 16, 2019, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2019, the Corporation had a negative net position of \$461,095.

Note 3: Cash and Investments

At June 30, 2019, the School and the Corporation had the following cash:

| | |
|--------------------------|--------------------------|
| Bank Deposits | \$ 215,689 |
| Cash Held by Third Party | <u>19,383</u> |
| Total | <u><u>\$ 235,072</u></u> |

Cash is reported in the financial statements as follows:

| | |
|-----------------|--------------------------|
| Cash | \$ 215,395 |
| Restricted Cash | <u>19,677</u> |
| Total | <u><u>\$ 235,072</u></u> |

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 3: Cash and Investments (Continued)

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, 2019, the School had bank deposits of \$24,288 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. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from 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 investment a single issuer, except for corporate securities.

The School and the Corporation had no investments at June 30, 2019.

Restricted Cash

At June 30, 2019, the Corporation had cash of \$19,677 restricted by its loan agreement for debt service (See Note 5).

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2019, is summarized below.

| | <u>Balance 6/30/18</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance 6/30/19</u> |
|---|----------------------------|---------------------|------------------|----------------------------|
| Governmental Activities | | | | |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Vehicles | \$ 20,000 | \$ - | \$ 20,000 | \$ - |
| Equipment | 5,000 | - | 5,000 | - |
| Total Capital Assets, <i>Being Depreciated</i> | <u>25,000</u> | <u>-</u> | <u>25,000</u> | <u>-</u> |
| Less Accumulated Depreciation | | | | |
| Vehicles | (3,556) | (4,000) | (7,556) | - |
| Equipment | (1,000) | (1,000) | (2,000) | - |
| Total Accumulated Depreciation | <u>(4,556)</u> | <u>(5,000)</u> | <u>(9,556)</u> | <u>-</u> |
| Governmental Activities Capital Assets, <i>Net</i> | <u>\$ 20,444</u> | <u>\$ (5,000)</u> | <u>\$ 15,444</u> | <u>\$ -</u> |
| Business-Type Activities | | | | |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Buildings | \$ 5,538,693 | \$ - | \$ - | \$ 5,538,693 |
| Building Improvements | 109,800 | - | - | 109,800 |
| Total Capital Assets, <i>Being Depreciated</i> | <u>5,648,493</u> | <u>-</u> | <u>-</u> | <u>5,648,493</u> |
| Less Accumulated Depreciation | | | | |
| Buildings | (274,663) | (138,467) | - | (413,130) |
| Building Improvements | (2,881) | (2,881) | - | (5,762) |
| Total Accumulated Depreciation | <u>(277,544)</u> | <u>(141,348)</u> | <u>-</u> | <u>(418,892)</u> |
| Business-Type Activities Capital Assets, <i>Net</i> | <u>\$ 5,370,949</u> | <u>\$ (141,348)</u> | <u>\$ -</u> | <u>\$ 5,229,601</u> |

Depreciation expense of the governmental activities were charged to the supporting services program of the School.

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2019:

| | <u>Balance 6/30/18</u> | <u>Additions</u> | <u>Payments</u> | <u>Balance 6/30/19</u> | <u>Due Within One Year</u> |
|---------------------------------|----------------------------|------------------|---------------------|----------------------------|--------------------------------|
| Business-Type Activities | | | | | |
| Self-Help Loan | \$ 4,590,666 | \$ - | \$ - | \$ 4,590,666 | \$ 4,590,666 |
| CSGF Loan | 1,100,000 | - | (100,000) | 1,000,000 | 1,000,000 |
| Total | <u>\$ 5,690,666</u> | <u>\$ -</u> | <u>\$ (100,000)</u> | <u>\$ 5,590,666</u> | <u>\$ 5,590,666</u> |

Roots Elementary School
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Notes to Financial Statements
June 30, 2019

Note 5: Long-Term Debt (Continued)

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.

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. 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.

Effective August 31, 2018, the School extended the maturity date of both loans to September 1, 2019. In addition, the amended agreement for the Self-Help Ventures Fund loan increased the interest rate to 5.5% effective September 1, 2018 and removed the requirement for monthly payments into the Sinking Fund Account. In addition, the sinking fund was released back to the school, and the school used those funds in the regular operations.

On November 14, 2018, Denver Public Schools accepted the surrender of the Roots Elementary School charter as of June 30, 2019. As defined in the Self-Help Ventures Fund Loan Agreement, the School's closure constituted a Material Adverse Change, and the loan was considered in default. Effective February 1, 2019, interest has accrued at the default rate and demand was made for full payment in the amount of \$4,590,666 (See Note 10).

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 (PERA). All employees of the School participate in the DPSD. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the DPSD that may be obtained at 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 under which the member retires, the benefit option selected at retirement, and age at retirement.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure 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 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

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

Retirees may elect to withdraw their contributions upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) 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, retirees 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 consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the DPSD. 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 plan participants once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Contributions - The School, eligible employees and the State are required to contribute to the DPSD at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The School's contribution rate for calendar years 2019 and 2018 was 20.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (see Note 7).

Employer contributions are recognized by the DPSD in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPSD. The School's contributions to the DPSD for the year ended June 30, 2019, were \$61,800, equal to the required contributions.

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

At June 30, 2019, the School reported a net pension liability of \$985,804 representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Roots Elementary, as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Roots Elementary were as follows:

| | |
|--|--------------|
| School Proportionate share of net pension liability | \$ 1,496,541 |
| The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School | (510,737) |
| | \$ 985,804 |

The net pension liability was measured at 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 DPSD for the calendar year ended December 31, 2018, relative to the contributions of all participating employers and the State as a nonemployer contributing entity. At December 31, 2018, the School's proportion was 0.0963733519%, which was a decrease of 0.0500723480% from its proportion measured at December 31, 2017.

Roots Elementary School
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Notes to Financial Statements
June 30, 2019

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)

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 DPSD are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the DPSD by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the DPSD by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- 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 DPSD based on the proportionate amount of annual payroll of the DPSD to the total annual payroll of the DPSD, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. A portion of the direct distribution allocated to the DPSD 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.

During the year ended June 30, 2019, the direct distribution for the DPSD was \$18,621,907.

For the year ended June 30, 2019, the School recognized pension expense of \$153,104 which includes \$54,571 of support from the state as a nonemployer contributing entity.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

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)*

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 |
|--|---|--|
| Differences between expected and actual experience | \$ 60,482 | \$ - |
| Changes of assumptions and other inputs | 69,772 | 22,104 |
| Net difference between projected and actual earnings on plan investments | 126,025 | - |
| Changes in proportion | 180,460 | 371,356 |
| Contributions subsequent to the measurement date | 36,812 | - |
| Total | \$ 473,551 | \$ 393,460 |

School contributions subsequent to the measurement date of \$36,812 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:

| <u>Year Ended June 30,</u> | | | |
|-----------------------------------|--|--------|------------|
| 2020 | | \$ | 65,747 |
| 2021 | | | 52,586 |
| 2022 | | | (83,958) |
| 2023 | | | 8,904 |
| Total | | \$ | 43,279 |

Roots Elementary School
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 Notes to Financial Statements
 June 30, 2019

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)

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs.

| | |
|---|---------------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% - 9.7% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate | 4.78% |
| Future post-employment benefit increases: | |
| Hired prior to 1/1/2007 | 2019 and 1.5% |
| Hired after 12/31/2006 | ad hoc |

*The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 7.25%.

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 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.

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

The actuarial assumptions used in the December 31, 2016, 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. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

Roots Elementary School
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Notes to Financial Statements
June 30, 2019

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)

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

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, as follows:

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

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.

Roots Elementary School
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Notes to Financial Statements
June 30, 2019

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)

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 the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

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)*

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

Sensitivity of the School's Proportionate Share 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 what the School's 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, as follows:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 1,462,932 | \$ 985,804 | \$ 588,718 |

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.

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Denver Public Schools Health Care Trust Fund (HCTF), a single-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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 report may be obtained at www.copera.org/investments/pera-financial-reports.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

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

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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the Denver Public Schools Division Trust Fund (DPSD) (see Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2019, was \$11,645, equal to the required amount.

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 net OPEB liability of \$66,085, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

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

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.1463025811%, which was a decrease of 0.0002467188% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$8,728. 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 |
|--|---|--|
| Differences between expected and actual experience | \$ - | \$ 7,670 |
| Changes of assumptions and other inputs | 6 | |
| Net difference between projected and actual earnings on plan investments | 1,337 | - |
| Changes in proportion | 13,132 | - |
| Contributions subsequent to the measurement date | <u>6,496</u> | <u>-</u> |
| Total | <u>\$ 20,971</u> | <u>\$ 7,670</u> |

School contributions subsequent to the measurement date of \$6,496 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year Ended June 30,</u> | |
|-----------------------------------|-----------------|
| 2020 | \$ 1,330 |
| 2021 | 1,330 |
| 2022 | 1,330 |
| 2023 | 1,901 |
| 2024 | 2,470 |
| Thereafter | <u>(1,556)</u> |
| Total | <u>\$ 6,805</u> |

Roots Elementary School
 (A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

| | |
|---|-------|
| Price inflation | 2.4% |
| Real wage growth | 1.1% |
| Wage inflation | 3.5% |
| Salary increases, including wage inflation | 3.5% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| Service-based premium subsidy | 0.0% |
| Medicare plans | 5.0% |
| Medicare Part A premiums: | |
| 3.25% for 2018, gradually rising to 5.00% in 2025 | |

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, 2016 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

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

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 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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the DPS 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 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 DPS HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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 presented previously (see Note 6).

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%.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

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

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:

- 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 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 projection test indicates the DPS HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB 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:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ <u>75,659</u> | \$ <u>66,085</u> | \$ <u>57,889</u> |

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Notes to Financial Statements
 June 30, 2019

Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity 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 calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

| | 1% Decrease | Current Healthcare Cost Trend Rates | 1% Increase |
|--|--------------------|--|--------------------|
| Proportionate share of the net OPEB liability | \$ <u>66,066</u> | \$ <u>66,085</u> | \$ <u>66,107</u> |

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

Note 8: 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 7). For the year ended June 30, 2019, the School contributed 9.04% of covered salaries, totaling \$103,206 to the District to cover its obligation relating to the PCOPs.

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, 2019, 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
(A Component Unit of Denver Public Schools)
Notes to Financial Statements
June 30, 2019

Note 9: Commitments and Contingencies (Continued)

Land Use Agreement

On December 30, 2015, the Corporation entered into a land use agreement with a subsidiary of the Urban Land Conservancy. The agreement allowed the Corporation to construct education facilities on the land and use the facilities from January 1, 2016, through December 31, 2114. The Corporation has an extension option for an additional 99 years. During the year ended June 30, 2019, the Corporation paid land use fees under this agreement of \$3,500. See Note 10.

Note 10: Disposal of Operations

On November 14, 2018, the Denver Public Schools accepted the surrender of the Roots Elementary School charter as of June 30, 2019. As such, the School's assets were redistributed to the Denver Public Schools in accordance with the Charter School Closure Protocol dated November 30, 2018. The Roots Elementary School and the Roots Elementary Building Corporation are in the process to sign a wind down agreement with Self-Help Ventures Fund and Holly Grail, LLC to sell the school facility and pay off the outstanding debt obligations by September 15, 2019.

The financial activity related to disposal of operations as of June 30, 2019, is reported as a special item in the financial statements.

Required Supplementary Information

Roots Elementary School
(A Component Unit of Denver Public Schools)
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, 2019

| | <u>12/31/18</u> | <u>12/31/17</u> | <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 | 0.1463025811% | 0.1464456999% | 0.1086357856% | 10.6033071400% |
| School's Proportionate Share of the Net Pension Liability | \$ 985,804 | \$ 1,312,900 | \$ 1,190,075 | \$ 862,616 |
| School's Covered-Employee Payroll | \$ 1,062,345 | \$ 992,638 | \$ 717,831 | \$ 331,750 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 93% | 132% | 166% | 260% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 76% | 80% | 74% | 79% |
| | | | | |
| | <u>6/30/19</u> | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> |
| School Contributions | | | | |
| Statutorily Required Contribution | \$ 61,800 | \$ 50,145 | \$ 29,190 | \$ 11,766 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(61,800)</u> | <u>(50,145)</u> | <u>(29,190)</u> | <u>(11,766)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered-Employee Payroll | \$ 1,141,711 | \$ 1,111,476 | \$ 876,332 | \$ 611,926 |
| Contributions as a Percentage of Covered-Employee Payroll | 5.41% | 4.51% | 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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado
 Denver Public Schools Health Care Trust Fund
 June 30, 2019

| | <u>12/31/18</u> | <u>12/31/17</u> |
|---|-----------------|-----------------|
| Proportionate Share of the Net OPEB Liability | | |
| School's Proportion of the Net OPEB Liability | 0.1463025811% | 10.6033071400% |
| School's Proportionate Share of the Net OPEB Liability | \$ 66,085 | \$ 74,429 |
| School's Covered Payroll | \$ 1,062,345 | \$ 1,003,075 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | 6% | 7% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 35% | 30% |
| | <u>6/30/19</u> | <u>6/30/18</u> |
| School Contributions | | |
| Statutorily Required Contribution | \$ 11,645 | \$ 11,337 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(11,645)</u> | <u>(11,337)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 1,141,711 | \$ 1,128,599 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.00% |

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.

Roots Elementary School
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|--|--------------------|------------------|-------------------|------------------------------------|
| Revenues | | | | |
| <i>Local Sources</i> | | | | |
| Per Pupil Revenue | \$ 1,732,961 | \$ 1,408,319 | \$ 1,428,120 | \$ 19,801 |
| District Mill Levy | 438,257 | 352,553 | 382,871 | 30,318 |
| Student Fees and Activities | 4,759 | 12,080 | 4,332 | (7,748) |
| Food Service Fees | 14,476 | 14,476 | 6,239 | (8,237) |
| Grants and Contributions | 350,000 | 151,000 | 276,047 | 125,047 |
| Investment Income | 665 | 665 | 568 | (97) |
| Other | | 1,000 | 3,308 | 2,308 |
| <i>State Sources</i> | | | | |
| Instruction Grants | 49,326 | 40,070 | 69,746 | 29,676 |
| Supporting Services Grants | 10,331 | 14,413 | 11,584 | (2,829) |
| Capital Construction | 54,386 | 43,750 | 50,132 | 6,382 |
| <i>Federal Sources</i> | | | | |
| Instruction Grants | 71,170 | 71,416 | 91,486 | 20,070 |
| Supporting Services Grants | 160,147 | 115,712 | 84,195 | (31,517) |
| Total Revenues | <u>2,886,478</u> | <u>2,225,454</u> | <u>2,408,628</u> | <u>183,174</u> |
| Expenditures | | | | |
| Salaries | 1,218,600 | 1,195,051 | 1,010,511 | 184,540 |
| Employee Benefits | 335,415 | 269,431 | 287,373 | (17,942) |
| Purchased Professional Services | 189,483 | 239,001 | 180,779 | 58,222 |
| Purchased Property Service | 444,788 | 381,981 | 334,460 | 47,521 |
| Other Purchased Services | 472,805 | 418,758 | 403,595 | 15,163 |
| Supplies | 142,811 | 146,290 | 112,190 | 34,100 |
| Property | 18,000 | 28,040 | 27,077 | 963 |
| Other | 1,632 | 1,631 | 6,117 | (4,486) |
| Contingency | 56,000 | 63,000 | - | 63,000 |
| Total Expenditures | <u>2,879,534</u> | <u>2,743,183</u> | <u>2,362,102</u> | <u>381,081</u> |
| Special Item | | | | |
| Disposal of Operations | - | - | (271,311) | (271,311) |
| Net Change in Fund Balance | 6,944 | (517,729) | (224,785) | 292,944 |
| Fund Balance, Beginning of year | <u>319,250</u> | <u>431,516</u> | <u>431,517</u> | <u>1</u> |
| Fund Balance, End of year | <u>\$ 326,194</u> | <u>(86,213)</u> | <u>\$ 206,732</u> | <u>\$ 292,945</u> |

Roots Elementary School
(A Component Unit of Denver Public Schools)
Notes to Required Supplementary Information
June 30, 2019

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) 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, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 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.