UNIVERSITY SCHOOLS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

UNIVERSITY SCHOOLS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018

CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Governors
University Schools
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of University Schools (the School), a component unit of Weld County School District 6, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of University Schools as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

University Schools adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployments benefits Other than Pensions*. As a result of the implementation of GASB Statement No. 75 as described in Note 10 to the financial statements, University Schools reported a restatement for the change in accounting principle. Our opinions are not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
October 1, 2018

This section of the report provides readers with a narrative overview and analysis of the financial activities of University Schools (the School) for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

Financial Highlights

The School's liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $31,537,449 at June 30, 2018. This is largely related to the School's net pension liability of $45,132,927. See Note 8 for further information. The School has no control over the financial funding of the net pension liability.

The School's General Fund balance reported an ending fund balance of $5,028,497, an increase of $1,329,502. The total General Fund balance is 34% of the fiscal year 2018 General Fund expenditures.

The University School Building Corporation, a special revenue fund of the School, reported an ending fund balance of $2,898,861, a decrease of $911,306. 100% of this balance are reserves required for debt service, repair and replacement, and projects.

Overview of the Financial Statements

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

Government-wide Financial Statements.

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

Net Position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, liabilities and deferred inflows of resources exceed assets and deferred outflows of resources by $31,537,449.

The following table provides a summary of the School's net position for 2018 and 2017:

Comparative Summary of Statement of Net Position

	2018	2017
Assets:		
Current Assets	$ 9,170,656	$ 8,561,017
Capital Assets	22,474,776	22,352,532
Deferred Outflows of Resources	14,607,553	18,074,085
Total Assets and Deferred Outflows of Resources	46,252,985	48,987,634
Liabilities:		
Current Liabilities	1,639,788	1,502,307
Noncurrent Liabilities	74,278,129	70,094,974
Deferred Inflows of Resources	1,872,517	212,090
Total Liabilities and Deferred Inflows of Resources	77,790,434	71,809,371
Net Position:		
Net Investment in Capital Assets	(2,657,547)	(4,266,465)
Restricted	2,296,041	1,252,621
Unrestricted	(31,175,943)	(19,807,893)
Total Net Position	$ (31,537,449)	$ (22,821,737)

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

$4,204,794 of the School's net position represents resources that are subject to external restrictions on how they may be used. Included in this category are the Taxpayer's Bill of Rights (TABOR) emergency reserves. The remaining restricted net position is restricted for debt service, construction, educational purposes, and the University Lab School Foundation.

The following table provides a summary of the School's change in net position for 2018 and 2017:

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

	Year Ended June 30, 2018	2017
Program Revenues:		
Charges for Services	$ 448,174	$ 394,206
Operating Grants	1,655,721	473,983
Capital Grants	457,171	483,012
General Revenues:		
Per Pupil Funding	12,992,259	12,626,766
Interest Income	104,815	58,185
Other Revenue	525,391	464,833
Total Revenues	16,183,531	14,500,985
Expenses:		
Instruction	19,378,938	16,806,569
Support Services	3,071,371	3,359,816
Interest on Long-Term Debt	1,456,784	1,468,122
Total Expenses	23,907,093	21,634,507
Change in Net Position	(7,723,562)	(7,133,522)
Net Position - Beginning as Restated*	(23,813,887)	(15,688,215)
Net Position - Ending	$ (31,537,449)	$ (22,821,737)

* Only the 2018 beginning balance represented restated amounts

Governmental-wide activities decreased University Schools' net position by $7,723,562 in 2018. This is largely due to recording pension expense of $8,764,102 in excess of PERA contributions as required by governmental accounting standards.

General Fund

The General Fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $5,028,497, an increase of $1,329,502. University Schools was able to increase its ending fund balance due to close cost control and increased funding from the State through per pupil funding and capital construction monies.

General Fund Budgetary Highlights

Fiscal year 2018 revenue from Local Sources is higher primarily due to a mill levy override that was approved by voters within Weld County School District 6's boundaries during the year ended June 30, 2018.

Expenditures for the year were lower than budgeted. This was mainly due controlled costs and a contingency line item for unexpected expenditures.

Capital Asset and Debt Administration

Capital Assets: The School's investment in capital assets as of June 30, 2018, amounts to $22,474,776. This investment in capital assets includes land, buildings and building improvements, furniture and equipment, and vehicles. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-Term Debt: The Building Corporation carries total bonded debt outstanding of $28,525,000. Additional information on long-term debt and the related facility leases can be found in Notes 4 and 5 of this report.

Requests for Information

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

UNIVERSITY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	$ 6,115,830
Restricted Cash and Investments	2,935,861
Accounts Receivable	93,965
Prepaid Items	25,000
Capital Assets, Not Being Depreciated	2,200,231
Capital Assets, Depreciated, Net of Accumulated Depreciation	20,274,545
Total Assets	31,645,432
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Refunding	1,324,827
Deferred OPEB Outflows	42,332
Deferred Pension Outflows	13,240,394
Total Deferred Outflows of Resources	14,607,553
LIABILITIES	
Accounts Payable	131,110
Accrued Salaries and Benefits	902,915
Accrued Interest	55,797
Noncurrent Liabilities:	
Due Within One Year	549,966
Due in More than One Year	28,114,557
OPEB Liability	1,030,645
Net Pension Liability	45,132,927
Total Liabilities	75,917,917
DEFERRED INFLOWS OF RESOURCES	
Deferred OPEB Inflows	17,242
Deferred Pension Inflows	1,855,275
Total Deferred Inflows of Resources	1,872,517
NET POSITION	
Net Investment in Capital Assets	(2,657,547)
Restricted for:	
Emergencies	478,228
Educational Purposes - Mill Levy	935,631
Debt Service	372,657
Repairs and Replacement	300,252
Foundation	209,273
Unrestricted	(31,175,943)
Total Net Position	$ (31,537,449)

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional	$ 19,378,938	$ 448,174	$ 1,655,721	$ -	$ (17,275,043)
Support Services	3,071,371	-	-	457,171	(2,614,200)
Interest on Long-Term Debt	1,456,784	-	-	-	(1,456,784)
Total Governmental Activities	$ 23,907,093	$ 448,174	$ 1,655,721	$ 457,171	(21,346,027)
	GENERAL REVENUES				
	Per Pupil Revenue				12,992,259
	Interest Income				104,815
	Other Income				525,391
	Total General Revenues				13,622,465
	CHANGE IN NET POSITION				(7,723,562)
	Net Position - Beginning of Year as Restated				(23,813,887)
	NET POSITION - END OF YEAR				$ (31,537,449)

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2018

	General Fund	University Lab School Building Corporation	(Nonmajor) University Lab School Foundation	Total
ASSETS				
Cash	$ 5,906,557	$ -	$ 209,273	$ 6,115,830
Restricted Cash and Investments	-	2,935,861	-	2,935,861
Prepaid Items	25,000	-	-	25,000
Accounts Receivable	93,965	-	-	93,965
Total Assets	$ 6,025,522	$ 2,935,861	$ 209,273	$ 9,170,656
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	$ 94,110	$ 37,000	$ -	$ 131,110
Accrued Salaries and Benefits	902,915	-	-	902,915
Total Liabilities	997,025	37,000	-	1,034,025
FUND BALANCES				
Nonspendable	25,000	-	-	25,000
Restricted				
Foundation	-	-	209,273	209,273
Educational Purposes - Mill Levy	935,631	-	-	935,631
Emergencies	478,228	-	-	478,228
Debt Service	-	2,337,207	-	2,337,207
Repairs and Replacement	-	300,252	-	300,252
Capital Projects	-	261,402	-	261,402
Assigned	3,068,060	-	-	3,068,060
Unassigned	521,578	-	-	521,578
Total Fund Balances	5,028,497	2,898,861	209,273	8,136,631
Total Liabilities and Fund Balances	$ 6,025,522	$ 2,935,861	$ 209,273	$ 9,170,656

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 8,136,631
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $30,094,374 and accumulated depreciation is $7,619,598.		22,474,776
Long-term liabilities and related items, including deferred losses on refundings, are not due and and payable in the current year and, therefore, are not reported in the funds.		
Deferred Loss on Refunding, Net of Accumulated Amortization		1,324,827
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	(28,525,000)	
Accrued Interest on Bonds Payable	(55,797)	
Bond Premium, Net of Accumulated Amortization	(139,523)	
OPEB Liability	(1,030,645)	
Net Pension Liability	(45,132,927)	(74,883,892)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension		13,240,394
OPEB		42,332
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension		(1,855,275)
OPEB		(17,242)
Total Net Position		$ (31,537,449)

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General Fund	University Lab School Building Corporation	(Nonmajor) University Lab School Foundation	Total
REVENUES				
Per Pupil Funding	$ 12,992,259	$ -	$ -	$ 12,992,259
Local Sources	1,225,804	-	141,605	1,367,409
State and Federal Sources	1,001,459	-	-	1,001,459
Student Fees	448,174	-	-	448,174
Interest Income	56,191	48,624	-	104,815
Rent and Other	269,415	1,851,738	-	2,121,153
Total Revenues	15,993,302	1,900,362	141,605	18,035,269
EXPENDITURES				
Current:				
Instruction	9,878,358	-	-	9,878,358
Support Services	4,620,728	-	73,116	4,693,844
Debt Service				
Principal	-	535,000	-	535,000
Interest	-	1,366,800	-	1,366,800
Capital Outlay	164,714	909,868	-	1,074,582
Total Expenditures	14,663,800	2,811,668	73,116	17,548,584
NET CHANGE IN FUND BALANCE	1,329,502	(911,306)	68,489	486,685
Fund Balance - Beginning of Year	3,698,995	3,810,167	140,784	7,649,946
FUND BALANCE - END OF YEAR	$ 5,028,497	$ 2,898,861	$ 209,273	$ 8,136,631

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Net Change in Fund Balance - Governmental funds		$ 486,685
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense of $952,338 is exceeded by capital outlay of $1,074,582.		122,244
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.		535,000
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities		439
Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Premium Amortization	9,966	
Loss on Refunding Amortization	(100,389)	(90,423)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
OPEB Expense		(13,405)
Pension Expense		(8,764,102)
Change in Net Position		$ (7,723,562)

See accompanying Notes to Basic Financial Statements.

UNIVERSITY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	Student Activity
ASSETS	
Cash and Investments	$ 166,946
LIABILITIES	
Due to Student Groups	$ 166,946

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

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

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

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

The School operates under a charter granted by the District's Board of Education. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the state of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2017), there were 1,725 FTE students. The PPR rate for the fiscal year ended June 30, 2018, was approximately $7,500.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Measureable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual.

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

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

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

The School reports the following non-major funds:

Non-major Governmental Fund

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

Fiduciary Fund

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

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

Cash and Investments

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

Capital Assets

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

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

Deferred Outflows of Resources

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

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of $902,915.

Long-Term Debt

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2018. The School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 9 for additional information.

Deferred Inflows of Resources

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

Net Position/Fund Balance

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

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

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

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

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balances indicate amounts for governmental funds, other than the General Fund, for any remaining positive amounts not classified in the above categories. For the General Fund, amounts constrained for the intent to be used for a specific purpose have been delegated to the business manager. The School has $3,068,060 in assigned fund balance in the General Fund for future capital improvements

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

NOTE 2 CASH AND INVESTMENTS

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the School's carrying amount of deposits was $5,906,557. At June 30, 2018, the University Laboratory School Foundation's carrying amount of deposits was $115,641. At June 30, 2018, the Student Activity fiduciary fund's carrying amount of deposits was $166,946.

University Laboratory School Building Corporation

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

At June 30, 2018, $1,908,753 is held in reserve accounts required by the bond agreements which is to be used for the payment of principal and interest on the bond in the event that sufficient funds are not available to make such payments when due. $428,454 is held in reserve accounts required by the bond agreements, which are to be used for the current principal and interest payments on the bonds. In addition, at June 30, 2018, $300,252 is held in a repair and replacement fund. A $10,000 annual deposit into this fund is required until the fund equals or exceeds $300,000. Withdrawals from the fund are allowed for repair and replacement of the school facility. Additionally, $298,402 is held in a project fund to be used for future construction.

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments: The School does not hold investments. The cash and investment reserve accounts owned by the Building Corporation are in the custody of the trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the trustee as directed by the Building Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to include:

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

At June 30, 2018, the Building Corporation's investments consisted of an external investment pool, the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements creating and operating CSAFE. Investments in the external investment pool are shown at amortized cost for financial reporting purposes. CSAFE is rated AAAm by Standards and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by participating governments.

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

As of June 30, 2018 the Building Corporation's investment in CSAFE of $2,935,861 has a maturity date of 12 months or less.

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

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

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

Cash and investments at June 30, 2018 consisted of the following:

Cash – Governmental Activities	$ 6,115,830
Restricted Cash and Investments – Governmental Activities	2,935,861
Cash and Investments – Fiduciary Fund	166,946
Total	$ 9,218,637

Fair Value: The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

The Foundation Fund has the following recurring fair value measurements as of June 30, 2018:

		Fair Value Measurement Using		
	June 30, 2018	Level 1	Level 2	Level 3
Investments by Fair Value Level:				
Mutual Funds	$ 93,632	$ 93,632	$ -	$ -
Total Investments by Fair Value Level	$ 93,632	$ 93,632	$ -	$ -

The Building Corporation Fund has the following investments measured at amortized cost as of June 30, 2018:

	June 30, 2018
Investments Measured at Amortized Cost:	
CSAFE	$ 2,935,861
Total Investments at Amortized Cost	$ 2,935,861

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets, Not Depreciated				
Construction in Progress	$ -	$ 37,000	$ -	37,000
Land	2,163,231	-	-	2,163,231
Total Capital Assets, Not Being Depreciated	2,163,231	37,000	-	2,200,231
Capital Assets, Being Depreciated:				
Land Improvements	823,749	307,468	-	1,131,217
Buildings and Building Improvements	23,430,601	316,477	-	23,747,078
Furniture and Equipment	2,277,395	369,792	-	2,647,187
Vehicles	324,816	43,845	-	368,661
Total Capital Assets, Being Depreciated	26,856,561	1,037,582	-	27,894,143
Accumulated Depreciation:				
Land Improvements	(207,990)	(38,370)	-	(246,360)
Buildings and Building Improvements	(4,880,925)	(558,333)	-	(5,439,258)
Furniture and Equipment	(1,511,390)	(314,576)	-	(1,825,966)
Vehicles	(66,955)	(41,059)	-	(108,014)
Total Accumulated Depreciation	(6,667,260)	(952,338)	-	(7,619,598)
Total Capital Assets, Being Depreciated, Net	20,189,301	85,244	-	20,274,545
Total Capital Assets, Net	$ 22,352,532	$ 122,244	$ -	$ 22,474,776

Depreciation expense of $723,073 was charged to instructional activities for the year ended June 30, 2018. Depreciation expense of 229,265 was charged to support services activities for the year ended June 30, 2018.

NOTE 4 BONDS PAYABLE

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

NOTE 4 BONDS PAYABLE (CONTINUED)

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

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

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

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was $1,851,738 for the year ended June 30, 2018.

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	$ 540,000	$ 1,354,700	$ 1,894,700
2020	550,000	1,341,075	1,891,075
2021	570,000	1,322,800	1,892,800
2022	585,000	1,299,700	1,884,700
2023	615,000	1,275,700	1,890,700
2024-2028	3,455,000	5,968,800	9,423,800
2029-2033	4,365,000	5,028,625	9,393,625
2034-2038	5,560,000	3,793,500	9,353,500
2039-2043	7,110,000	2,217,500	9,327,500
2044-2046	5,175,000	396,625	5,571,625
Total	$ 28,525,000	$ 23,999,025	$ 52,524,025

Changes in bonds payable for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due Within One Year
Bonds Payable	$ 29,060,000	$ -	$ 535,000	$ 28,525,000	$ 540,000
Bond Premium	149,489	-	9,966	139,523	9,966
	$ 29,209,489	$ -	$ 544,966	$ 28,664,523	$ 549,966

NOTE 5 LEASES

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

Rent expense was $1,903,825 for the year ended June 30, 2018, and is included in expenditures in the general fund. The School has other leases where payments fluctuate year to year that are also included in expenditures in the general fund.

The lease between the School (lessee) and the Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School believes it is in compliance with the covenants at June 30, 2018.

The School also has a lease agreement to share certain facilities, including an auditorium, track and baseball field with Frontier Academy. The lease commenced December 2002 with automatic renewal each year unless terminated through May 2031. The two schools jointly share the cost, management, and profits of the shared facilities. Frontier Academy paid the required lease payments of $83,258 for the year ended June 30, 2018. Once the School fulfills its obligations under the lease with the Building Corporation and obtains title to the property, and Frontier has paid in full all obligations under this lease, the Building Corporation will convey title to the shared properties to the School and Frontier Academy as tenants in common.

Future projected lease payments and receipts as of June 30, 2018 are as follows:

Year Ending June 30,	Payments	Receipts	Net
2019	$ 1,899,700	$ 83,417	$ 1,816,283
2020	1,901,075	83,186	1,817,889
2021	1,900,300	83,419	1,816,881
2022	1,899,700	83,492	1,816,208
2023	1,900,700	83,386	1,817,314
2024-2028	9,501,300	417,303	9,083,997
2029-2033	9,501,125	327,500	9,173,625
2034-2038	9,493,500	-	9,493,500
2039-2043	9,505,000	-	9,505,000
2044-2047	4,751,625	-	4,751,625
Total	$ 52,254,025	$ 1,161,703	$ 51,092,322

NOTE 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

During the year ended June 30, 2018, the School discontinued self-insurance for employee medical costs and obtained commercial coverage. Changes in the accrued liability for employee medical costs during the past two years are as follows:

Claims Payable - June 30, 2016	$ 31,914
Claim Incurred and Adjustments	200,016
Payments	(192,077)
Claims Payable - June 30, 2017	39,853
Claim Incurred and Adjustments	43,393
Payments	(83,246)
Claims Payable - June 30, 2018	$ -

NOTE 7 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE

On November 3, 1992, the voters of the state approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt and spending and restricts property, income, and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue. The 3% emergency reserve is still required both at the District and the School level. At June 30, 2018, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance.

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

NOTE 8 DEFINED BENEFIT PENSION PLAN

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

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

During the 2018 legislative session, 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. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

General Information about the Pension Plan

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

Benefits Provided

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions

Eligible employees of the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate[1]	10.15 %	10.15 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)[1]	(1.02)	(1.02)
Amount Apportioned to the SCHDTF[1]	9.13	9.13
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411[1]	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411[1]	5.00	5.50
Total Employer Contribution Rate to the SCHDTF[1]	18.63 %	19.13 %

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2018 were $1,250,782.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2018, the School reported a liability of $45,132,927 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.139572936%, which was an increase of 0.000456023 % from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of $8,815,653. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 829,804	$ -
Changes of Assumptions or Other Inputs	11,524,113	73,129
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,772,413
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	230,498	9,733
Contributions Subsequent to the Measurement Date	655,979	-
Total	$ 13,240,394	$ 1,855,275

$655,979 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 7,235,594
2020	4,112,947
2021	47,388
2022	(666,789)

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40 %
Real Wage Growth	1.10
Wage Inflation	3.50
Salary Increases, Including Wage Inflation	3.50 - 9.70
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25
Discount rate[1]	5.26
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

[1] The discount rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 4.78% as described below.

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

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

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

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

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

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, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

NOTE 8 DEFINED BENEFIT PENSION PLAN (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 SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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%.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the single equivalent interest rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of December published at the end of each week by The Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.86% were used in the discount rate determination resulting in a discount rate of 5.26%.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate:

The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (3.78%) or one percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionare Share of the Net Pension Liability	$ 57,010,563	$ 45,132,927	$ 35,454,010

Pension Plan Fiduciary Net Position

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

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through 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. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100% funded ratio for each division within the next 30 years.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25% on July 1, 2019.
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying 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.

At June 30, 2018, the School reported a liability of $45,132,927 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	20,390,665

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately $21,068,332 of the estimated reduction is attributable to the use of a 7.25% discount rate.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

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

PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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

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

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

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were $67,542 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of $1,030,645 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the School's proportion was 0.0793047827%, which was an increase of 0.0002290705% from its proportion measured as of December 31, 2016.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For the year ended June 30, 2018, the School recognized OPEB expense of $15,288. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	$ 4,874	$ -
Changes of Assumptions or other Inputs	-	-
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	17,242
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	2,482	-
Contributions Subsequent to the Measurement Date	34,976	-
Total	$ 42,332	$ 17,242

$34,976 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ (2,865)
2020	(2,865)
2021	(2,865)
2022	(2,863)
2023	1,446
Thereafter	126

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the Aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, Gradually Rising to 4.25% in 2023

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.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- 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 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.
- 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 rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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%.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

	1% Decrease in Trend Rates	Current Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	$ 1,002,288	$ 1,030,645	$ 1,064,799

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, 2017, 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionare Share of the Net OPEB Liability	$ 1,158,769	$ 1,030,645	$ 921,288

OPEB Plan Fiduciary Net Position

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

NOTE 10 RESTATEMENT OF NET POSITION

For the year ended June 30, 2018, the (Entity) adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, June 30, 2017, as Previously Reported	$ (22,821,737)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(992,150)
Net Position, June 30, 2017, as Restated	$ (23,813,887)

UNIVERSITY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Funding	$ 13,389,968	$ 13,388,190	$ 12,992,259	$ (395,931)
Local Sources	104,867	1,104,867	1,225,804	120,937
State and Federal Sources	511,893	467,951	1,001,459	533,508
Student Fees	431,248	471,248	448,174	(23,074)
Interest Income	16,000	16,000	56,191	40,191
Rent and Other	92,274	170,260	269,415	99,155
Total Revenues	14,546,250	15,618,516	15,993,302	374,786
EXPENDITURES				
Current:				
Instruction	9,094,282	9,140,522	9,878,358	(737,836)
Support Services	5,531,760	5,815,924	4,620,728	1,195,196
Capital Outlay	-	-	164,714	(164,714)
Total Expenditures	14,626,042	14,956,446	14,663,800	292,646
NET CHANGE IN FUND BALANCE	(79,792)	662,070	1,329,502	667,432
Fund Balance - Beginning of Year	2,631,511	3,698,995	3,698,995	-
FUND BALANCE - END OF YEAR	$ 2,551,719	$ 4,361,065	$ 5,028,497	$ 667,432

See accompanying Notes to Required Supplementary Information.

UNIVERSITY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL — UNIVERSITY LAB SCHOOL BUILDING CORPORATION
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Interest Income	$ 25,000	$ 48,624	$ 23,624
Rent	1,905,000	1,851,738	(53,262)
Total Revenues	1,930,000	1,900,362	(29,638)
EXPENDITURES			
Capital Outlay	1,165,000	909,868	255,132
Debt Service:			
Principal	535,000	535,000	-
Interest	1,370,000	1,366,800	3,200
Total Expenditures	3,070,000 -	2,811,668 -	258,332
NET CHANGE IN FUND BALANCE	(1,140,000)	(911,306)	228,694
Fund Balance - Beginning of Year	3,060,000	3,810,167	750,167
FUND BALANCE - END OF YEAR	$ 1,920,000	$ 2,898,861	$ 978,861

See accompanying Notes to Required Supplementary Information.

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

	2017	2016	2015	2014
School's Proportion (Percentage) of the Collective Net Pension Liability	0.139572936%	0.139116913%	0.136258193%	0.136676215%
School's Proportionate Share of the Collective Pension Liability	$ 45,132,927	$ 41,420,485	$ 20,839,729	$ 18,524,218
Covered Payroll	$ 6,437,095	$ 6,243,817	$ 5,906,205	$ 5,652,192
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	701.14%	663.38%	352.84%	327.74%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.96%	43.10%	59.20%	62.80%

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

See accompanying Notes to Required Supplementary Information.

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

As of June 30,	2018	2017	2016	2015
Statutorily Required Contributions	$ 1,250,782	$ 1,168,763	$ 1,081,601	$ 960,138
Contributions in Relation to the Statutorily Required Contribution	1,250,782	1,168,763	1,081,601	960,138
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 6,621,776	$ 6,357,093	$ 6,098,457	$ 5,643,347
Contribution as a Percentage of Covered Payroll	18.89%	18.39%	17.74%	17.01%

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

See accompanying Notes to Required Supplementary Information.

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

	2017	2016
School's Proportion (Percentage) of the Collective OPEB Liability (Asset)	0.0793047827%	0.0790757122%
School's Proportionate Share of the Collective OPEB Liability (Asset)	$ 1,030,645	$ 1,025,243
Covered Payroll	$ 6,437,095	$ 6,243,817
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2016 was not available.
Schedule is provided on a calendar year basis.

See accompanying Notes to Required Supplementary Information.

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

As of June 30,	2018	2017
Statutorily Required Contributions	$ 67,542	$ 64,842
Contributions in Relation to the Statutorily Required Contribution	67,542	64,842
Contribution Deficiency (Excess)	$ -	$ -
Covered Payroll	$ 6,621,776	$ 6,357,093
Contribution as a Percentage of Covered Payroll	1.02%	1.02%

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

See accompanying Notes to Required Supplementary Information.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

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

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

a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.

b) The public hearings are conducted by the School's board of directors to obtain parents and other members of the public comment and recommendations.

c) Prior to June 30, the budget is adopted by formal resolution.

d) The School's contract with the District requires submission of the approval and amended budgets to the District.

e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's board of directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the board of directors.

f) Budgets for all fund types are adopted on a basis consistent with U.S. generally accepted accounting principles.

g) Budgeted amounts reported in the accompanying required supplementary information are as originally adopted and as amended by the board of directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's board of directors on January 10, 2018. The final Building Corporation's budget was approved by the Board on June 29, 2017.

h) There was no legally adopted budget for the University Lab School Foundation Fund.

i) All appropriations lapse at the end of each fiscal year.