

UNION COLONY SCHOOLS
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

**UNION COLONY SCHOOLS
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES	9
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	13
STATEMENT OF FIDUCIARY NET POSITION	14
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	15
NOTES TO FINANCIAL STATEMENTS	16
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND	43
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – UNION COLONY SCHOOLS BUILDING CORPORATION	44
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	46
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	47
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS	48
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS	49
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	49
SUPPLEMENTARY INFORMATION	
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – STUDENT ACTIVITY FUND	50



INDEPENDENT AUDITORS' REPORT

Board of Directors
Union Colony 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 Union Colony Schools (the School), a component unit of Weld County School District 6, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3-7, the budgetary comparison information on pages 43-44, and the pension and OPEB schedules on pages 45-48 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.

Other information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The statement of changes in assets and liabilities in the student activity fund (the supplementary information) is presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
October 9, 2020

UNION COLONY SCHOOLS
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

As management of Union Colony Schools, an authorized charter school of Weld County School District 6 (the District), we offer readers of the Union Colony Schools financial statements this narrative overview and analysis of the financial activities of Union Colony Schools for the fiscal year ended June 30, 2020.

Financial Highlights

Key to the financial condition of the organization is the strength of the statement of net position disclosing amounts for assets, liabilities, deferred outflows and inflows of resources, and net position.

At the close of the fiscal year, Union Colony Schools (the School) experienced an increase of \$1,999,227. The change in the net pension liability accounted for \$1,582,754 of the change in net position.

Total unrestricted cash and investments was \$3,802,319 at June 30, 2020, as compared to \$3,269,466 at June 30, 2019.

Overview of 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 Union Colony Schools Board of directors 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 School's General Fund, Union Colony Schools Building Corporation (blended component unit) and pension schedules as required under GASB Statement No. 68, further discussed in Note 8.

Government-wide Financial Statements

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

The statement of net position presents information on all of the School's assets, 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.

UNION COLONY SCHOOLS
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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. The School, like other governmental units or charter schools, use fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds: the general fund, one special revenue fund (Union Colony Schools Building Corporation), which are governmental funds, and two fiduciary funds.

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 School'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 the general fund and the two special revenue funds. Budgetary comparison statements have been provided for these funds 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. This information is provided in pages 16-42.

UNION COLONY SCHOOLS
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

Condensed Statement of Net Position

	June 30	
	2020	2019
Assets:		
Current Assets	\$ 5,977,743	\$ 5,490,243
Capital Assets	16,910,723	17,246,105
Total Assets	<u>22,888,466</u>	<u>22,736,348</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	23,130	23,836
OPEB	43,353	36,801
Pension Plan	1,337,580	3,324,036
Total Assets and Deferred Outflows of Resources	<u>24,292,529</u>	<u>26,121,021</u>
Liabilities:		
Current Liabilities	851,016	815,675
Noncurrent Liabilities	19,569,105	19,860,218
OPEB Liability	456,746	539,185
Net Pension Liability	9,290,587	10,795,817
Total Liabilities	<u>30,167,454</u>	<u>32,010,895</u>
Deferred Inflows of Resources		
OPEB	96,274	16,572
Pension Plan	6,170,438	8,234,418
Total Liabilities and Deferred Inflows of Resources	<u>36,434,166</u>	<u>40,261,885</u>
Net Position:		
Net Investment in Capital Assets	(1,771,364)	(2,870,683)
Restricted	2,454,435	2,503,374
Unrestricted	(12,824,708)	(13,773,555)
Total Net Position	<u>\$ (12,141,637)</u>	<u>\$ (14,140,864)</u>

The total assets and liabilities of the School are relatively consistent in fiscal year 2020 compared to fiscal year 2019. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability.

\$269,810 of net position is restricted to comply with the TABOR amendments and requirements from mill levy override revenue received from the District. Another \$1,947,852 is restricted related to debt service and capital project reserve requirements. \$236,773 is restricted for educational purposes as outlined in the approved ballot language for the mill levy override property tax revenues received by the School.

UNION COLONY SCHOOLS
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Condensed Statement of Activities

	Year Ended June 30,	
	2020	2019
Program Revenues:		
Operating Grants	\$ 733,154	\$ 573,350
Capital Grants	239,114	255,749
General Revenues:		
Per Pupil Funding	7,179,303	6,872,509
Mill Levy Override	780,962	600,424
Interest Income	60,303	97,665
Other Revenue	34,471	93,158
Total Revenues	<u>9,027,307</u>	<u>8,492,855</u>
Expenses:		
Instruction	3,372,933	4,220,406
Support Services	2,794,154	2,212,676
Interest and Fiscal Charges	860,993	859,554
Total Expenses	<u>7,028,080</u>	<u>7,292,636</u>
Change in Net Position	1,999,227	1,200,219
Net Position - Beginning of Year	<u>(14,140,864)</u>	<u>(15,341,083)</u>
Net Position - Ending	<u><u>\$ (12,141,637)</u></u>	<u><u>\$ (14,140,864)</u></u>

Per pupil funding increased due to student enrollment and changes in the amount of revenue per student provided by the State and passed-through the District. Instruction expenses decreased in fiscal year 2020 based on the impact of the change in the actuarially calculated net pension liability. Interest and fiscal charges were consistent with the previous fiscal year. Total expenses decreased \$264,556 in fiscal year 2020 compared to fiscal year 2019.

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 \$3,469,988, an increase of \$500,481. The School was able to increase its ending fund balance due to close cost control of expenditures and increased mill levy override funding and per pupil revenue received during fiscal year 2020 compared to fiscal year 2019.

General Fund Budgetary Highlights

Actual revenues recognized during fiscal year 2020 exceeded budgeted revenues by \$370,199. The School reported actual expenditures less than budgeted expenditures in all functional classifications in fiscal year 2020, with total actual expenditures less than total budgeted expenditures by \$349,580.

UNION COLONY SCHOOLS
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

Capital Asset and Debt Administration

Capital Assets: The School's capital assets as of June 30, 2020, amounts to \$16,910,723, net of depreciation. This investment in capital assets includes land, buildings, and building improvements. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-term Debt: The Building Corporations carry total bonded debt outstanding of \$18,350,000. Additional information on long-term debt and the related facility leases can be found in Notes 4 and 5 of this report.

Economic Factors and Next Year's Budgets

State funding is expected to decrease for the 2020-2021 school year. The school is anticipating decreased enrollment with consistent salary and benefit costs along with other support service costs. Specific to the School, the COVID-19 pandemic may impact various parts of its fiscal year 2020-2021 operations and financial results relating to potential decreases in State and Federal funding and decreased enrollment. Management believes the School is taking appropriate actions to mitigate the negative impact, however, the full impact of COVID-19 is still unknown. The initial budget for the 2020-2021 fiscal year projects budgeted revenues slightly exceeding budgeted expenditures.

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 Angie Emmons, Finance Manager, Union Colony Schools, 2000 Clubhouse Drive, Greeley, Colorado 80634.

**UNION COLONY SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2020**

	Governmental Activities
ASSETS	
Cash	\$ 3,802,319
Restricted Cash and Investments	2,171,615
Accounts Receivable	3,809
Capital Assets, Not Being Depreciated	1,193,937
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>15,716,786</u>
Total Assets	22,888,466
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges on Refunding	23,130
OPEB Related Items	43,353
Pension Related Items	<u>1,337,580</u>
Total Deferred Outflows of Resources	1,404,063
LIABILITIES	
Accounts Payable	64,744
Accrued Salaries and Benefits	271,396
Accrued Interest	223,763
Noncurrent Liabilities:	
Due within One Year	291,113
Due in More Than One Year	19,569,105
OPEB Liability	456,746
Net Pension Liability	<u>9,290,587</u>
Total Liabilities	30,167,454
DEFERRED INFLOWS OF RESOURCES	
OPEB Related Items	96,274
Pension Related Items	<u>6,170,438</u>
Total Deferred Inflows of Resources	6,266,712
NET POSITION	
Net Investment in Capital Assets	(1,771,364)
Restricted:	
Emergencies	269,810
Educational Purposes - Mill Levy	236,773
Debt Service	1,333,592
Capital Projects	614,260
Unrestricted	<u>(12,824,708)</u>
Total Net Position	<u><u>\$ (12,141,637)</u></u>

See accompanying Notes to Financial Statements.

**UNION COLONY SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

		Program Revenues		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES				
Instructional	\$ 3,372,933	\$ 664,736	\$ -	\$ (2,708,197)
Support Services:				
Pupil and Instruction	983,474	-	-	(983,474)
General Administration	1,128,989	-	-	(1,128,989)
School Administration	39,887	-	-	(39,887)
Business Services	149,610	-	-	(149,610)
Maintenance and Operations	306,829	56,519	239,114	(11,196)
Food Services	2,700	-	-	(2,700)
Transportation	47,139	11,899	-	(35,240)
Other Supporting Services	135,526	-	-	(135,526)
Interest and Fiscal Charges	860,993	-	-	(860,993)
Total Government Activities	<u>\$ 7,028,080</u>	<u>\$ 733,154</u>	<u>\$ 239,114</u>	<u>\$ (6,055,812)</u>
GENERAL REVENUES				
Per Pupil Revenue				7,179,303
Mill Levy Override				780,962
Investment Income				60,303
Other				34,471
Total General Revenues				<u>8,055,039</u>
CHANGE IN NET POSITION				1,999,227
Net Position - Beginning of Year				<u>(14,140,864)</u>
NET POSITION - ENDING				<u>\$ (12,141,637)</u>

See accompanying Notes to Financial Statements.

UNION COLONY SCHOOLS
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Union Colony Schools Building Corporation	Total
ASSETS			
Cash	\$ 3,802,319	\$ -	\$ 3,802,319
Restricted Cash and Investments	-	2,171,615	2,171,615
Accounts Receivable	3,809	-	3,809
Total Assets	<u>\$ 3,806,128</u>	<u>\$ 2,171,615</u>	<u>\$ 5,977,743</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 64,744	\$ -	\$ 64,744
Accrued Salaries and Benefits	271,396	-	271,396
Total Liabilities	<u>336,140</u>	<u>-</u>	<u>336,140</u>
FUND BALANCES			
Restricted			
Emergencies	269,810	-	269,810
Educational Purposes - Mill Levy	236,773	-	236,773
Debt Service	-	1,557,355	1,557,355
Capital Projects	-	614,260	614,260
Unassigned	2,963,405	-	2,963,405
Total Fund Balances	<u>3,469,988</u>	<u>2,171,615</u>	<u>5,641,603</u>
Total Liabilities and Fund Balances	<u>\$ 3,806,128</u>	<u>\$ 2,171,615</u>	<u>\$ 5,977,743</u>

See accompanying Notes to Financial Statements.

**UNION COLONY SCHOOLS
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for governmental activities in the
Statement of net position are different because:

Total Fund Balance - Governmental Funds	\$ 5,641,603
---	--------------

Capital assets used in governmental activities are not financial
resources and, therefore, are not reported in the fund.

The cost of the assets is \$19,756,481 and accumulated depreciation is \$2,845,758	16,910,723
---	------------

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:

Accrued Interest	\$ (223,763)	
Bonds Payable	(18,350,000)	
Bond Premium, Net of Accumulated Amortization	(1,510,218)	
OPEB Liability	(456,746)	
Net Pension Liability	<u>(9,290,587)</u>	(29,831,314)

Loss on refunding does not require the use of current financial
and, therefore, is not reported as an expenditure in the
governmental funds.

Loss on Bond Refunding	23,130
------------------------	--------

Deferred outflows of resources used in governmental activities
are not financial resources and, therefore, are not reported in
the governmental funds.

Pension	1,337,580
OPEB	43,353

Deferred inflows of resources used in governmental activities
are not financial resources and, therefore, are not reported in
the governmental funds.

Pension	(6,170,438)
OPEB	<u>(96,274)</u>

Total Net Position	<u>\$ (12,141,637)</u>
--------------------	------------------------

UNION COLONY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Union Colony Schools Building Corporation	Total
REVENUES			
Per Pupil Funding	\$ 7,179,303	\$ -	\$ 7,179,303
Rental Income	-	1,129,013	1,129,013
State and Federal Sources	934,994	-	934,994
Local Sources	780,962	-	780,962
Interest Income	24,719	35,584	60,303
Other Income	123,723	-	123,723
Total Revenues	<u>9,043,701</u>	<u>1,164,597</u>	<u>10,208,298</u>
EXPENDITURES			
Current:			
Instruction	4,121,096	-	4,121,096
Support Services:			
Pupil and Instruction	983,474	-	983,474
General Administration	1,606,602	-	1,606,602
School Administration	39,887	-	39,887
Business Services	149,610	-	149,610
Maintenance and Operations	1,435,842	-	1,435,842
Food Services	2,700	-	2,700
Transportation	23,489	-	23,489
Other Supporting Services	135,526	-	135,526
Capital Outlay	44,994	61,519	106,513
Debt Service:			
Principal	-	235,000	235,000
Interest and Fiscal Charges	-	908,750	908,750
Total Expenditures	<u>8,543,220</u>	<u>1,205,269</u>	<u>9,748,489</u>
NET CHANGE IN FUND BALANCE	500,481	(40,672)	459,809
Fund Balance - Beginning	<u>2,969,507</u>	<u>2,212,287</u>	<u>5,181,794</u>
FUND BALANCE - ENDING	<u><u>\$ 3,469,988</u></u>	<u><u>\$ 2,171,615</u></u>	<u><u>\$ 5,641,603</u></u>

See accompanying Notes to Financial Statements.

**UNION COLONY SCHOOLS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balance - Governmental Fund	\$ 459,809
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
Capital Outlay	106,513
Depreciation Expense	(441,895)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long term debt and related items.	
Retirement of Principal	235,000
Retirement of Premium	46,113
Loss on Refunding	(706)
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities	2,350
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	9,289
Pension Expense	1,582,754
Change in Net Position	<u><u>\$ 1,999,227</u></u>

See accompanying Notes to Financial Statements.

UNION COLONY SCHOOLS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	Scholarship Trust	Student Activity
Assets		
Cash and Investments	\$ 16,687	\$ 127,237
Accounts Receivable	-	2,014
	<hr/>	<hr/>
Total Assets	16,687	129,251
Liabilities		
Accounts Payable	-	7,904
Due to Student Groups	-	121,347
	<hr/>	<hr/>
Total Liabilities	-	\$ 129,251
	<hr/>	<hr/>
Net Position - Restricted for Scholarships	<u>\$ 16,687</u>	

See accompanying Notes to Financial Statements.

**UNION COLONY SCHOOLS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	Scholarship Trust
Additions	
Interest Income	\$ -
Deductions	
Scholarships	500
Change in Net Position	(500)
Net Position - Beginning of Year	17,187
Net Position - End of Year	\$ 16,687

See accompanying Notes to Financial Statements.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Union Colony Schools (the School) conform to accounting principles generally accepted in the United States of America 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 Schools' 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.

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Weld County School District 6 (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 Board of Education must approve all charter school applications and budgets.

Union Colony Schools is comprised of two schools, the Preparatory School and the Elementary School. The two schools were combined under a single charter granted by the District in 2015. The Elementary School opened in 2012. The Preparatory School opened in 1997 and operated by purchasing administrative and instructional services through Weld School District 6. The Preparatory School began operations as an incorporated school in 2007. The School has been granted 501(c)(3) status by the Internal Revenue Service.

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, 2019), there were 863 FTE students enrolled in the School. The PPR rate for the fiscal year ended June 30, 2020, was approximately \$8,330 based on the mix of student in each grade.

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

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Building Corporation was established for the purpose of owning the school facilities and to accumulate resources from the collection of rents from the School to make payments for the Building Corporation's capital and debt service costs. The Building Corporation does not issue separate financial statements.

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 fiduciary funds, even though the latter are 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 time 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.

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. Measurable 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.

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

On-Behalf Payments – GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for Union Colony Schools by the State of Colorado has been recorded in the fund financial statements.

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 Government 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 – Union Colony Schools 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 Union Colony Schools Building Corporation.

The School reports the following additional fund types:

Fiduciary Funds

Private-Purpose Trust Fund – Scholarship Trust: The scholarship trust fund is used by the School to account for assets held under a trust agreement for individuals, private organizations, or other governments and are not available to support the School's own programs.

Agency Fund – Student Activity Fund: 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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.

Capital Assets

Capital assets purchased by the Building Corporations, which include land, buildings, and building improvements, are reported in the government-wide financial statements. All 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 at the date of donation. 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. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

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 10 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 Note 8 and 9 for additional information. The School also reports a deferred charge on refunding resulting from the difference in the carrying value of the refunded debt and the reacquisition price.

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 \$271,396.

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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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, 2020. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

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

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred inflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Note 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 in the School's General Fund indicate amounts constrained for specific purpose by external parties, constitutional provision or enabling legislation. Restrictions on the School's General Fund balance are described in Note 7. Restrictions on the Building Corporation 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 an ordinance 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Assigned fund balances indicate amounts for governmental funds, other than the General Fund, 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 has been delegated to the Finance Manager.

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, 2020, the School's carrying amount of deposits was \$3,946,243. These amounts include fiduciary funds' cash of \$143,924.

Building Corporations

The bonds require the Building Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly rent payments from the School (Note 5) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2020, \$1,557,355 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. The remaining \$614,260 of investments held by the Building Corporation is original bond proceeds to be used on future capital expenditures.

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk – 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
- Corporate securities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At June 30, 2020, the Building Corporations' investments consisted of an investment in an external investment pool, the Colorado Surplus Asset Fund Trust (CSAFE). There was \$2,171,615 invested with CSAFE shown at amortized cost. CSAFE is a trust established by local Colorado government entities in 1988. Purchases and redemption are available daily at a net asset value (NAV) of \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. CSAFE is rated AAAM by Standard and Poor's. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Interest Rate Risk – The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market funds held in investments have maturities of less than one year.

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

Cash and investments at June 30, 2020 consisted of the following:

Cash - Governmental Activities	\$ 3,802,319
Restricted Cash and Investments - Governmental Activities	2,171,615
Cash and Investments - Fiduciary Funds	143,924
Total	<u>\$ 6,117,858</u>

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital Assets, Not Depreciated				
Land	\$ 1,054,875	\$ -	\$ -	\$ 1,054,875
Construction in Progress	119,191	19,871	-	139,062
Total Capital Assets, Not Being Depreciated	1,174,066	19,871	-	1,193,937
Capital Assets, Being Depreciated				
Buildings and Building Improvements	18,023,412	86,642	-	18,110,054
Furniture and Equipment	215,990	-	-	215,990
Vehicles	236,500	-	-	236,500
Total Capital Assets, Being Depreciated	18,475,902	86,642	-	18,562,544
Accumulated Depreciation:				
Buildings and Building Improvements	(2,213,423)	(388,396)	-	(2,601,819)
Furniture and Equipment	(98,029)	(29,849)	-	(127,878)
Vehicles	(92,411)	(23,650)	-	(116,061)
Total Accumulated Depreciation	(2,403,863)	(441,895)	-	(2,845,758)
Total Capital Assets, Being Depreciated, Net	16,072,039	(355,253)	-	15,716,786
Total Capital Assets	\$ 17,246,105	\$ (335,382)	\$ -	\$ 16,910,723

Depreciation expense of \$418,245 was charged to the instruction function of the School.
Depreciation expense of \$23,650 was charged to the transportation function of the School.

NOTE 4 BONDS PAYABLE

Long-term liability activity for the year ended June 30, 2020 is as follows:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Amounts Due Within One Year
Bonds Payable - Series 2018	18,585,000	-	(235,000)	18,350,000	245,000
Series 2018 Premium	1,556,331	-	(46,113)	1,510,218	46,113
Total	\$ 20,141,331	\$ -	\$ (281,113)	\$ 19,860,218	\$ 291,113

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 4 BONDS PAYABLE (CONTINUED)

Union Colony Preparatory Building Corporation – Bonds Payable Series 2018

On March 22, 2018, the Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds as the Union Colony School Project. The bonds were issued for the Union Colony Schools Building Corporation's use in refunding previous debt and funding capital improvements to the existing school buildings. 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 bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of the Building Corporation. The bonds do not constitute a debt of the Authority and are considered the obligation of the Building Corporation.

Union Colony Schools 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, approximately \$39,747,201. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2020, \$1,129,013.

The Charter School Refunding Revenue Bonds dated April 1, 2018, due in annual installments ranging from \$235,000 to \$1,100,000 through April 2053; interest (rate is 4.00-5.00%) payable semi-annually on April 1 and October 1. Future debt payments are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 245,000	\$ 895,050	\$ 1,140,050
2022	255,000	885,250	1,140,250
2023	265,000	875,050	1,140,050
2024	275,000	864,450	1,139,450
2025	285,000	853,450	1,138,450
2026 - 2030	1,605,000	4,084,100	5,689,100
2031 - 2035	2,035,000	3,661,500	5,696,500
2036 - 2040	2,605,000	3,098,750	5,703,750
2041 - 2045	3,350,000	2,376,750	5,726,750
2046 - 2050	4,290,000	1,449,750	5,739,750
2051 - 2053	3,140,000	319,250	3,459,250
Total	<u>\$ 18,350,000</u>	<u>\$ 19,363,350</u>	<u>\$ 37,713,350</u>

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 LEASES

The School leases its preparatory and elementary school buildings from the Union Colony Schools 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 Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense was \$1,129,013 for the year ended June 30, 2020, and is included in maintenance and operations expenditures.

The lease between the School (lessee) and Union Colony Preparatory and Elementary Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. Management believes the School is in compliance with the covenants.

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.

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, 2020, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of \$269,810.

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

\$236,773 is restricted for educational purposes based on remaining mill levy override revenue passed through to the School from the District.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the 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 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00% for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2020: Eligible employees of the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75% of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer Contribution Rate	10.40 %
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f)	(1.02)
Amount Apportioned to the SCHDTF	9.38
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411	4.50
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411	5.50
Total Employer Contribution Rate to the SCHDTF	19.38 %

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

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 from the School were \$722,850 for the year ended June 30, 2020.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the School reported a liability of \$9,290,587 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's Proportionate Share of the Net Pension Liability	\$ 9,290,587
State's Proportionate Share of the Net Pension Liability	
Associated with the School	<u>1,178,393</u>
Total	<u><u>\$ 10,468,980</u></u>

At December 31, 2019, the School's proportion was 0.0621868948%, which was an increase of 0.0012178778% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension expense of (\$1,223,729) and revenue of \$37,274 for support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 506,343	\$ -
Changes of Assumptions or Other Inputs	265,232	4,214,122
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	1,100,563
Changes in Proportion and Differences Between Contributions		
Recognized and Proportionate Share of Contributions	206,980	855,753
Contributions Subsequent to the Measurement Date	<u>359,025</u>	<u>-</u>
Total	<u><u>\$ 1,337,580</u></u>	<u><u>\$ 6,170,438</u></u>

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$359,025 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ (2,927,285)
2022	(1,950,321)
2023	60,103
2024	(374,380)

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using 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	7.25%
Future post-retirement benefit increases	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	1.25% Compounded Annually
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

¹ For 2019, the annual increase was 0.0%.

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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Post-retirement non-disabled mortality assumptions 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 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2018, 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 the PERA Board during the November 18, 2016, Board meeting.

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 12,321,308	\$ 9,290,587	\$ 6,746,033

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

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 HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by 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. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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, School, Local Government and Judicial), 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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 on behalf of benefit recipients not covered by Medicare Part A.

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

Contributions. 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 the School were \$38,045 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$456,746 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The School proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.0406358816%, which was an increase of 0.0010056899 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of (\$9,173). At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,516	\$ 76,750
Changes of Assumptions or Other Inputs	3,789	-
Net Difference Between Projected and Actual		
Earnings on OPEB Plan Investments	-	7,624
Changes in Proportion and Differences Between		
Contributions Recognized and Proportionate		
Share of Contributions	19,586	11,900
Contributions Subsequent to the Measurement Date	18,462	-
Total	<u>\$ 43,353</u>	<u>\$ 96,274</u>

\$18,462 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021.

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ (15,769)
2022	(15,769)
2023	(13,561)
2024	(12,955)
2025	(12,570)
Thereafter	(759)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using 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 % 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	5.60% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A Premiums	3.50% for 2019, gradually increasing to 4.50% in 2029

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

The actuarial assumptions used in the December 31, 2018, 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 the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 601	\$ 240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 per month.

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

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$ 562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

Post-retirement non-disabled 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.

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Post-retirement non-disabled 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.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Proportionate Share of the Net OPEB Liability	\$ 445,897	\$ 456,746	\$ 469,284

**UNION COLONY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the 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 rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 516,444	\$ 456,746	\$ 405,693

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.

UNION COLONY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Funding	\$ 7,173,062	\$ 7,202,622	\$ 7,179,303	\$ (23,319)
State and Federal Sources	832,646	965,695	934,994	(30,701)
Local Sources	659,369	687,008	780,962	93,954
Interest Income	1,296	24,000	24,719	719
Other Income	7,129	71,129	123,723	52,594
Total Revenues	8,673,502	8,950,454	9,043,701	93,247
EXPENDITURES				
Current:				
Instruction	4,205,299	4,190,720	4,121,096	69,624
Support Services:				
Pupil and Instruction	999,488	1,002,519	983,474	19,045
General Administration	1,368,087	1,310,618	1,278,715	31,903
School Administration	48,919	45,027	39,887	5,140
Business Services	169,306	167,193	149,610	17,583
Food Services	3,500	2,700	2,700	-
Maintenance and Operations	1,436,006	1,450,006	1,435,842	14,164
Transportation	47,441	47,441	23,489	23,952
Other Supporting Services	137,754	162,754	135,526	27,228
Local Sources	430,000	430,000	327,887	102,113
Capital Outlay	47,000	47,000	44,994	2,006
Total Expenditures	8,892,800	8,855,978	8,543,220	312,758
NET CHANGE IN FUND BALANCE	(219,298)	94,476	500,481	406,005
Fund Balance - Beginning	3,313,492	2,969,507	2,969,507	-
FUND BALANCE - ENDING	<u>\$ 3,094,194</u>	<u>\$ 3,063,983</u>	<u>\$ 3,469,988</u>	<u>\$ 406,005</u>

See accompanying Notes to Required Supplementary Information.

UNION COLONY SCHOOLS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – UNION COLONY SCHOOLS BUILDING CORPORATION
YEAR ENDED JUNE 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Rental Income	\$ 1,139,600	\$ 1,139,600	\$ 1,129,013	\$ (10,587)
Interest Income	35,584	35,584	35,584	-
Total Revenues	<u>1,175,184</u>	<u>1,175,184</u>	<u>1,164,597</u>	<u>(10,587)</u>
EXPENDITURES				
Capital Outlay	61,519	61,519	61,519	-
Debt Service	917,554	1,170,885	1,143,750	27,135
Total Expenditures	<u>979,073</u>	<u>1,232,404</u>	<u>1,205,269</u>	<u>27,135</u>
NET CHANGE IN FUND BALANCE	196,111	(57,220)	(40,672)	16,548
Fund Balance - Beginning	<u>2,936,904</u>	<u>2,936,904</u>	<u>2,212,287</u>	<u>(724,617)</u>
FUND BALANCE - ENDING	<u><u>\$ 3,133,015</u></u>	<u><u>\$ 2,879,684</u></u>	<u><u>\$ 2,171,615</u></u>	<u><u>\$ (708,069)</u></u>

See accompanying Notes to Required Supplementary Information.

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

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
Plan Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
School's Proportion of the Net Pension Liability	0.062186895%	0.060969017%	0.068080651%	0.071237304%	0.070481609%	0.066344203%	0.067594199%
School's Proportionate Share of the Net Pension Liability	\$ 9,290,587	\$ 10,795,817	\$ 22,014,863	\$ 21,210,100	\$ 10,779,664	\$ 8,991,868	\$ 8,621,622
State's Proportionate Share of the Net Pension Liability associated with the School **	1,178,393	1,476,178	-	-	-	-	-
Total	<u>\$ 10,468,980</u>	<u>\$ 12,271,995</u>	<u>\$ 22,014,863</u>	<u>\$ 21,210,100</u>	<u>\$ 10,779,664</u>	<u>\$ 8,991,868</u>	<u>\$ 8,621,622</u>
Covered Payroll	3,670,706	3,351,758	3,140,480	3,197,258	3,094,834	2,779,344	2,725,062
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	253.1%	322.1%	701.0%	663.4%	348.3%	323.5%	316.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	62.8%

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

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

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

Fiscal Year	2020	2019	2018	2017
Plan Measurement Date	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.0406358816%	0.0396301917%	0.0386831716%	0.0404921371%
School's Proportionate Share of the Collective Net OPEB Liability	\$ 456,746	\$ 539,185	\$ 502,726	\$ 524,994
Covered payroll	\$ 3,670,706	\$ 3,351,758	\$ 3,140,480	\$ 3,197,258
School's Proportionate Share of the Net OPEB OPEB Liability as a Percentage of its Covered-Employee Payroll	12.44%	16.09%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier

UNION COLONY SCHOOLS
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS*

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 722,850	\$ 674,243	\$ 600,724	\$ 584,468	\$ 557,889	\$ 498,097	\$ 445,731
Contributions in Relation to the Contractually Required Contribution	<u>722,850</u>	<u>674,243</u>	<u>600,724</u>	<u>584,468</u>	<u>557,889</u>	<u>498,097</u>	<u>445,731</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,729,875	\$ 3,542,330	\$ 3,181,539	\$ 3,180,750	\$ 3,146,451	\$ 2,949,495	\$ 2,793,094
Contributions as a Percentage of Covered Payroll	19.4%	19.0%	18.9%	18.4%	17.7%	16.9%	16.0%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

UNION COLONY SCHOOLS
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS*

Fiscal Year	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contributions	\$ 38,045	\$ 36,132	\$ 32,452	\$ 32,444	\$ 32,094	\$ 30,085	\$ 28,490
Contributions in Relation to the Statutorily Required Contribution	<u>38,045</u>	<u>36,132</u>	<u>32,452</u>	<u>32,444</u>	<u>32,094</u>	<u>30,085</u>	<u>28,490</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 3,729,875	\$ 3,542,330	\$ 3,181,539	\$ 3,180,750	\$ 3,146,451	\$ 2,949,495	\$ 2,793,094
Contribution as a Percentage of Covered-Employee Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

UNION COLONY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

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 comments and recommendations from parents and other members of the public.
- 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 GAAP.
- g) Budgeted amounts reported in the accompanying supplemental 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 18, 2020.
- h) All appropriations lapse at the end of each fiscal year.

UNION COLONY SCHOOLS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES – STUDENT ACTIVITY FUND
YEAR ENDED JUNE 30, 2020

	Year Ended Balance June 30, 2019	Additions	Deletions	Ending Balance June 30, 2020
ASSETS				
Cash and Investments	\$ 122,698	\$ 105,372	\$ 100,833	\$ 127,237
Accounts Receivable	-	2,014	-	2,014
Total Assets	<u>\$ 122,698</u>	<u>\$ 107,386</u>	<u>\$ 100,833</u>	<u>\$ 129,251</u>
LIABILITIES				
Accounts Payable	\$ -	\$ 7,904	\$ -	\$ 7,904
Due to Student Groups	122,698	107,386	108,737	121,347
Total Liabilities	<u>\$ 122,698</u>	<u>\$ 115,290</u>	<u>\$ 108,737</u>	<u>\$ 129,251</u>