KIPP Colorado Schools
(A Component Unit of Denver Public Schools)

Independent Auditor's Report and Financial Statements

June 30, 2019

KIPP Colorado Schools

(A Component Unit of Denver Public Schools)

June 30, 2019

KIPP Colorado Board of Directors

2018-19

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KIPP Colorado Schools

(A Component Unit of Denver Public Schools)

June 30, 2019

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

Supplementary Information

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Independent Auditor's Report

Board of Directors
KIPP Colorado Schools
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of KIPP Colorado Schools (the Organization), a component unit of Denver Public Schools, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Organization'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.

Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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.

Board of Directors
KIPP Colorado Schools

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Organization as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and OPEB information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The accompanying supplementary information, including the combining financial statements and budgetary comparison schedules, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such 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. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Board of Directors
KIPP Colorado Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2019 on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

BKD, LLP

Denver, Colorado
October 18, 2019

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2019

As management of KIPP Colorado Schools, a charter school management organization (the Organization), we offer readers of the Organization's financial statements this narrative and analysis of the financial activities of KIPP Colorado Schools for the period from July 1, 2018 to June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements and footnotes.

Financial Highlights

- With the implementation of GASB 68 in FY 2014-2015, the government-wide financial statements of the Organization, like those of all Colorado PERA participants, changed significantly. This change consisted of the inclusion of a net pension liability as well as deferred inflows, deferred outflows, and expenses related to the pension plan. While these line items are material and create an overall deficit in the financial presentation on the government-wide financial statements, the GASB standard only impacts the accounting presentation of these pension related items, and does not impact the timing of the funding obligation of the Organization. A review of the governmental fund financial statements presents a more accurate depiction of the flow of funds for the Organization in the fiscal year. For further information on the GASB 68, see the attached statements and Note 5 in the Notes to the Financial Statements.

- The period from July 1, 2018 through June 30, 2019 covers the 16th year of operation for the Organization. The total fund balance at the end of the year according to the governmental fund balance sheet is $6,109,560, an increase of $289,445 compared to the prior year.

- The net position at the end of the year according to the government-wide financial statements is ($5,017,990). This deficit is driven by the continuing impact of GASB 68.

- The financial results of KIPP Colorado Schools under a government-wide accounting presentation are also materially impacted by the implementation of GASB 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Prior to the implementation of GASB 75, postemployment benefits (OPEB) was only reported in the notes disclosure section. With the implementation of GASB 75, postemployment benefits are reported in both the statement of net position and the statement of activities. As of June 30, 2019, KIPP Colorado Schools' net OPEB liability is $893,017.

- Pursuant to C.R.S. § 24-51-413 of Senate Bill 18-200 enacted on June 4, 2018, PERA is to receive an annual direct distribution from the state in the amount of $225 million. A portion of the direct distribution allocated to the DPS Division is considered a nonemployer contribution for financial reporting purposes. Kipp Colorado School's portion of the State's contribution is $368,146 which has been recognized as state revenue and pension expenditures in the general fund financial statements. In accordance with GASB 68, Kipp Colorado School's portion of the collective pension expense (credit) related to the State's contribution is $737,405 which has been recognized as an operating contribution and pension expense (credit) in the statement of activities.

- For the Plan year ended December 31, 2018, the Collective Pension Expense of DPS division of Colorado PERA had a negative balance of $(109,295,000). Kipp Colorado School's pension expense is thus impacted and credited $(1,139,691) as of June 30, 2019 which is net of $737,405 related to the State's contribution discuss above. Similarly, the net OPEB liability of DPS Health Care Trust Fund as of December 31, 2018 decreased $5,789,000 from the previous year resulting in a credit to Kipp Colorado School's OPEB expense of $(31,268) for the year ended June 30, 2019.

- The operations of the Organization are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was $19,150,103 compared to $16,032,203 the prior year, an increase driven largely by the enrollment expansion of two schools.

- The Organization operates six schools in addition to the Regional (School Services) Team: the original middle school in Southwest Denver (KIPP Sunshine Peak Academy, KSPA), a high school, also in Southwest Denver (KIPP Denver Collegiate, KDC), a second middle school in Green Valley Ranch (KIPP Northeast Denver Middle School, KNDMS), an elementary school which opened August 2016 in Green Valley Ranch (KIPP Northeast Elementary, KNE), a high school which opened August 2016 in Green Valley Ranch (KIPP Northeast Denver Leadership Academy, KNDLA), and an elementary school in Southwest Denver which opened August 2018 (KIPP Sunshine Peak Elementary, KSPE).

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Organization's financial statements. The statements are comprised of three components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, and 3) Notes to the Financial Statements.

Government-wide Financial Statements

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

The *Statement of Net Position* presents information on all the Organization's assets and liabilities, with the difference between the two being reported as total net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of the Organization is improving or deteriorating.

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

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 Organization keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Government-wide Financial Analysis

At June 30, 2019, the Organization's liabilities and deferred inflows exceeded assets and deferred outflows by $5,017,990 in the government-wide financial statements. The inclusion of the net pension liability in the government-wide statements creates an overall deficit in the government-wide presentation of the financials. Of the total net position, $806,099 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. $175,090 is restricted for capital construction and $73,519 is the Net Investment in Capital Assets. Accordingly, these net assets are not available to satisfy general operating expenses of the Organization.

Condensed Statement of Net Position

	2019	2018
Assets		
Current (noncapital)	$ 7,297,817	$ 6,298,800
Noncurrent (capital)	73,519	104,848
Total Assets	7,371,336	6,403,648
Deferred Outflows of Resources	6,563,209	7,054,608
Liabilities		
Current	1,188,257	478,685
Noncurrent pension and OPEB	14,213,817	16,341,287
Total Liabilities	15,402,074	16,819,972
Deferred Inflows of Resources	3,550,461	3,822,754
Net Position (Deficit)		
Net investment in capital assets	73,519	104,848
Restricted for emergencies	806,099	690,352
Restricted for capital construction	175,090	110,617
Unrestricted deficit	(6,072,698)	(8,090,287)
Total Net Position (Deficit)	$ (5,017,990)	$ (7,184,470)

Condensed Statement of Activities

	2019	2018
Revenues		
Charges for services	$ 483,934	$ 234,650
Grants and contributions (unrestricted)	5,849,991	4,320,974
Per pupil revenue	19,150,103	16,032,203
Mill levy	5,213,083	3,967,461
Investment income	94,790	30,252
Miscellaneous	70,660	310,412
Total Revenues	30,862,561	24,895,952
Expenses		
Instruction		
General	13,922,105	12,352,057
Allocation of GASB 68 and 75 expense (credit)	(726,062)	1,822,930
Supporting services		
General	15,944,936	13,122,652
Allocation of GASB 68 and 75 expense (credit)	(444,897)	1,165,479
Total Expenses	28,696,081	28,463,118
Change in Net Position	2,166,480	(3,567,166)
Net Position (Deficit), Beginning of Year	(7,184,470)	(3,617,304)
Net Position (Deficit), End of Year	$ (5,017,990)	$ (7,184,470)

The Organization increased the total number of students served from 2,083 to 2,401 (for all combined schools in operation in fiscal year 2019), which explains much of the increase in per pupil revenue as well as overall expenses. Increases in mill levy funding were due to an increase in students.

Financial Analysis of the Organization's Funds

The focus of the Organization's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Organization's financing requirements. In particular, unassigned, unrestricted fund balance may serve as a useful measure of the Organization's net resources available for spending at the end of the fiscal year.

As stated previously, as of June 30, 2019, the Organization's governmental fund reported an ending fund balance of $6,109.560. This amount represents an increase of $289,445 from the previous year.

General Fund Budgetary Highlights

The Organization presents an annual budget to the Board for monitoring and approval.

The Organization budgeted for expenditures of $33,862,301 for the year ended June 30, 2019. Actual budgetary expenditures were $33,291,031.

There was one budget amendment during the year. This amendment incorporated the actual student count and related programming changes following the original budget approval in Spring 2018.

Capital Asset and Debt Administration

Capital Assets

The Organization's capital assets consist of modular buildings and equipment (transportation vans). Depreciation on equipment in 2018-2019 was $22,788 and depreciation on buildings was $8,541. Total capital asset value at June 30, 2019, net of accumulated depreciation was $73,519.

Long-term Debt

As of June 30, 2018, the Organization has no long-term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Organization is student enrollment. Enrollment for the 2018-2019 school year was 2,401. Enrollment for the 2019-2020 school year is projected to be 2,467, including 416 students for KIPP Sunshine Peak Academy, 478 students for KIPP Denver Collegiate High School, 460 students for KIPP Northeast Denver Middle School, 483 students for KIPP Northeast Elementary, 511 students for KIPP Northeast Denver Leadership Academy and 119 students at KIPP Sunshine Peak Elementary. The Organization is aware of projected funding levels for fiscal 2019-2020 and budgets according to the current estimates provided by the Colorado Department of Education and Denver Public Schools.

Financial Statements

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Net Position
June 30, 2019

	Governmental Activities
Assets	
Cash and cash equivalents	$ 6,355,079
Grants receivable	719,817
Other receivables	10,226
Prepaid expenses	212,695
Capital assets, net of accumulated depreciation	73,519
Total assets	7,371,336
Deferred Outflows of Resources	
Pension plan	6,210,043
OPEB	353,166
	6,563,209
Liabilities	
Accounts payable	880,979
Accrued liabilities	297,278
Unearned revenue	10,000
Noncurrent liabilities	
Due in more than one year	
Net pension liability	13,320,800
Net OPEB liability	893,017
Total liabilities	15,402,074
Deferred Inflows of Resources	
Pension plan	3,446,826
OPEB	103,635
	3,550,461
Net Position (Deficit)	
Net investment in capital assets	73,519
Restricted for emergencies	806,099
Restricted for capital construction	175,090
Unrestricted deficit	(6,072,698)
Total net position (deficit)	$ (5,017,990)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Activities
Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants	Net Revenue (Expense) and Change in Net Position: Governmental Activities
Primary Government					
Governmental activities					
Instruction	$ 13,922,105	$ 253,213	$ 570,595	$ -	$ (13,098,297)
GASB 68 pension expense (credit)	(706,676)	-	457,191	-	1,163,867
GASB 75 OPEB expense (credit)	(19,386)	-	-	-	19,386
Supporting services	15,944,936	230,721	1,487,103	-	(14,227,112)
GASB 68 pension expense (credit)	(433,015)	-	280,214	-	713,229
GASB 75 OPEB expense (credit)	(11,882)	-	-	-	11,882
Total governmental activities	$ 28,696,081	$ 483,934	$ 2,795,103	$ -	(25,417,044)
General Revenues					
Per pupil revenue					19,150,103
District mill levy					5,213,083
Grants and contributions not restricted to specific programs					3,054,888
Investment income					94,790
Miscellaneous					70,660
Total general revenues					27,583,524
Change in Net Position					2,166,480
Net Position (Deficit), Beginning					(7,184,470)
Net Position (Deficit), Ending					$ (5,017,990)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet
Governmental Fund
June 30, 2019

	General Fund
Assets	
Cash and cash equivalents	$ 6,355,079
Grants receivable	719,817
Other receivables	10,226
Prepaid expenditures	212,695
Total assets	$ 7,297,817
Liabilities and Fund Balance	
Liabilities	
Accounts payable	$ 880,979
Accrued liabilities	297,278
Unearned revenue	10,000
Total liabilities	1,188,257
Fund Balance	
Nonspendable prepaid expenditures	212,695
Restricted for emergencies	806,099
Restricted for capital construction	175,090
Restricted for school programming	-
Unrestricted, unassigned	4,915,676
Total fund balance	6,109,560
Total liabilities and fund balance	$ 7,297,817

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Balance Sheet (continued)
Governmental Fund
June 30, 2019

	General Fund
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Total fund balance of the governmental fund	$ 6,109,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund	73,519
Deferred inflows of resources are not due and payable in the current period and, therefore, are not reported in the fund	(3,550,461)
Deferred outflows of resources are not financial resources and, therefore, are not reported in the fund	6,563,209
The net OPEB liability is not due and payable in the current period and, therefore, is not reported in the governmental fund	(893,017)
The net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund	(13,320,800)
Total net position of governmental activities	$ (5,017,990)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
Year Ended June 30, 2019

	General Fund
Revenues	
Local sources	$ 26,569,720
State sources	2,070,750
Federal sources	1,852,832
Total revenues	30,493,302
Expenditures	
Current	
Instruction	14,127,495
Supporting services	16,076,362
Total expenditures	30,203,857
Net Change in Fund Balance	289,445
Fund Balance, Beginning	5,820,115
Fund Balance, Ending	$ 6,109,560

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Statement of Revenues, Expenditures and Changes in Fund Balance (continued)
Governmental Fund
Year Ended June 30, 2019

	General Fund
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Net change in fund balance of the governmental fund	$ 289,445
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	
Depreciation expense	(31,329)
Some expenses recorded in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds	
OPEB expense/credit	31,268
Pension expense/credit	1,877,096
Change in net position of governmental activities	$ 2,166,480

Note 1: Summary of Significant Accounting Policies

KIPP Colorado Schools (the Organization) was formed on January 23, 2002, to operate charter schools as provided in the Colorado Charter Schools Act. The Organization is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code. The Organization currently operates two elementary schools, two middle schools and two high schools in Denver Public Schools (the District).

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

Reporting Entity

The Organization is a component unit of Denver Public Schools (the District). The District granted the charters and provides the majority of the funding to the Organization. As additional schools are authorized, the charter agreement is amended.

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

Based on the application of this criteria, the Organization does not include additional organizations within its reporting entity other than the schools it operates.

Government-wide and Fund Financial Statements

The government-wide financial statements (*i.e.,* the Statement of Net Position and the Statement of Activities) report information on all activities of the Organization. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column. The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues. A management fee has been charged by the Organization to each of the charter schools. This fee has been eliminated upon consolidation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

In the fund financial statements, the Organization reports the following major governmental fund:

General Fund

This fund is the general operating fund of the Organization. It is currently used to account for all financial activities of the Organization.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Receivables

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

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets

Capital assets, which include buildings and building improvements, are reported in the government-wide financial statements. Capital assets are defined by the Organization as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Vehicles and equipment	4-5 years
Buildings and improvements	25 years

Deferred Outflows/Inflows of Resources

Deferred outflows of resources are consumptions of net position that are applicable to a future reporting period and deferred inflows of resources are acquisitions of net position that are applicable to a future reporting period. Both are reported in the Statement of Net Position but are not recognized in the financial statements as revenues and expenses until the periods(s) to which they relate. Refer to Note 5 and Note 7 for information on deferred outflows/inflows or resources related to pensions and OPEB, respectively.

Accrued Liabilities

Accrued liabilities represents unused vacation leave which is expected to be used in the year in which it was earned but may be accumulated and carried over to specified limits. Total unused vacation leave liability is due within one year.

Unearned Revenues

Unearned revenues include grants collected before qualifying expenditures have been recognized.

Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as a liability. In the fund financial statements, governmental funds recognize the face amount of debt issued during the current year as other financing sources.

Net Position/Fund Balance

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

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

Risk Management

The Organization is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. The Organization carries commercial insurance for risks of loss, including liability, property, errors and omissions, and workers' compensation. Settled claims resulting from these risks have not exceeded the Organization's insurance coverage for fiscal years 2019, 2018 and 2017.

Use of Estimates

Preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Budgets and Budgetary Accounting

Annually, the Board of Directors adopts a budget for the Organization as a whole, on a basis consistent with generally accepted accounting principles.

A proposed budget is submitted to the Board of Directors for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them. Revisions that alter the total expenditures must be approved by the Board of Directors. All appropriations lapse at fiscal year-end.

Note 2: Cash and Investments

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

Deposits

The financial institution holding the Organization’s cash accounts is participating in the FDIC’s Transaction Account Guarantee Program. Interest-bearing transaction accounts were subject to the $250,000 limit on FDIC insurance per covered institution.

The Organization’s investment policy conforms to state statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than $250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the $250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in the Organization’s name, and (3) held at a Federal Reserve Bank or another depository.

Under the provisions of GASB 40, *Deposit and Investment Risk Disclosures,* deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions under the Colorado Public Deposit Protection Act (PDPA), as discussed below. Custodial credit risk is the risk that in the event of bank failure, the Organization’s deposits may not be returned.

Colorado state statutes govern the Organization's deposit of cash. The PDPA requires the Organization to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group.

At June 30, 2019, the Organization's deposit balances consisted of the following:

Description	Carrying Amount	Bank Balance	Amount Covered Under PDPA
Bank accounts	$ 4,282,022	$ 4,315,680	$ 4,058,882

Investments

The Organization is required to comply with state statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

At June 30, 2019, the Organization had $2,066,939 invested in the Vanguard Federal Money Market Fund and is valued at NAV. The Vanguard Federal Money Market Fund, invests in U.S. government securities and seeks to provide current income and preserve shareholders' principal investment by maintaining a share price of $1. The fund generally invests 100% of its assets in governmental securities.

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Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2019 are summarized below.

	Balance at July 1, 2018	Additions	Deletions	Balance at June 30, 2019
Capital assets being depreciated				
Vehicles and equipment	$ 205,386	$ -	$ -	$ 205,386
Buildings and improvements	884,518	-	-	884,518
Total capital assets	1,089,904	-	-	1,089,904
Less accumulated depreciation				
Vehicles and equipment	(165,289)	(22,788)	-	(188,077)
Buildings and improvements	(819,767)	(8,541)	-	(828,308)
Total accumulated depreciation	(985,056)	(31,329)	-	(1,016,385)
Total capital assets being depreciated, net	$ 104,848	$ (31,329)	$ -	$ 73,519

Depreciation expense was charged to the instructional ($22,860) and supporting services ($8,469) programs.

Note 4: Leases

The Organization leases office space under a noncancelable operating lease agreement. The lease expires in February 2020. Rent expense for the lease for the year ended June 30, 2019, was $33,840.

Minimum annual rental payments required under the operating lease for each year ending June 30 are as follows:

2020	$ 37,179
2021	37,179
2022	37,179
2023	37,179
Total	$ 148,717

Note 5: Defined Benefit Pension Plan

The Organization participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). In accordance with GASB 68, the Organization accounts for and reports its participation in the plan as if it was a cost sharing employer. 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 Organization have been determined using the same basis as they are reported by the DPS Division which uses the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

- Increases employer contribution rates for the DPS Division by 0.25% on July 1, 2019.
- Increases employee contribution rates for the DPS Division by a total of 2% (to be phased in over a period of three years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. A portion of the direct distribution allocated to the DPS Division is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

General Information about the Pension Plan

Plan Description

Eligible employees of the Organization are provided with pensions through the DPS Division – a single-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, 2018

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 Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Pursuant to SB18-200, there are no annual increases (AI) for 2018 and 2019 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 receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the DPS Division. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1% based on the parameters specified C.R.S. § 24-51-413.

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

Contribution Provisions as of June 30, 2019

Eligible employees, the Organization, and the State are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements for the DPS Division are established under C.R.S. § 24-51-401, *et seq* and § 24-51-413. Eligible employees are required to contribute 8% of their PERA-includable salary period of July 1, 2018 through June 30, 2019. Contribution rates for the DPS Division are summarized in the table below:

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	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the DPS Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(14.18%)	(13.48%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total Employer Contribution Rate to the DPS Division [1]	4.95%	5.65%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. A portion of the direct distribution allocated to the DPS Division is considered a nonemployer contribution for financial reporting purposes. The Organization's portion of the State's contribution is $368,146 which has been recognized as state revenue a pension expenditure in the general fund financial statements.

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the Organization were $844,271 for the year ended June 30, 2019.

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

The net pension liability for the DPS Division was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The Organization proportion of the net pension liability was based on the Organization contributions to the DPS Division for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the Organization reported a liability of $13,320,800 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 Organization 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 Organization were as follows:

The Organization's proportionate share of the net pension liability	$ 13,320,800
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Organization	6,901,435
Total	$ 20,222,235

At December 31, 2018, the Organization's proportion was 1.30%, which was a decrease of 0.43% from its proportion measured as of December 31, 2017 of 1.73%.

For the year ended June 30, 2019, the Organization recognized a pension credit of $1,032,825 offset by revenue and pension expense of $737,405 for support from the State as a nonemployer contributing entity. At June 30, 2019, the Organization's 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	$ 817,284	$ 13,075
Changes of assumptions or other inputs	942,795	298,686
Net difference between projected and actual earnings on pension plan investments	1,702,923	-
Changes in proportion	2,289,422	3,135,065
Contributions subsequent to the measurement date	457,619	-
Total	$ 6,210,043	$ 3,446,826

$457,619 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30		
2020	$	1,530,960
2021		672,898
2022		(340,862)
2023		442,602
2024		-
	$	2,305,598

Actuarial Assumptions

The deferred outflows and deferred inflows referred to in GASB Statement No. 68, paragraphs 80(h)1, 80(h)2, and 80(h)3, are calculated at the collective level for the DPS Division by PERA's Actuary. This information is available at the collective level for the DPS Division in the Schedule of Collective Pension Amounts and related notes which can be accessed from PERA's secure website by PERA-affiliated Employers. The PERA-affiliated employer is required to disclose their proportionate share of the collective deferral amounts to comply with GASB Statement No. 68. Additionally, the PERA-affiliated employer is responsible for calculating and maintaining the deferred outflows and deferred inflows referenced in GASB Statement No. 68, paragraphs 80(h)4 and 80(h)5.

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007; and DPS benefit structure (automatic)	2.00% annually
PERA benefit structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% 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, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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

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 current member contribution rates in effect for each year, including scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above actuarial cost method and assumptions, the DPS Division's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate, and therefore, the discount rate was 7.25%. There was no change in the discount rate from the prior measurement date.

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

The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
Proportionate share of the net pension liability	$ 19,768,054	$ 13,320,800	$ 7,955,124

Pension Plan Fiduciary Net Position

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

Note 6: Pension Certificates of Participation

The District issued Taxable Pension Certificates of Participation (PCOPs) to fully fund the unfunded actuarial accrued liability of its pension plan (see Note 5). For the years ended June 30, 2019, 2018 and 2017, the Organization contributed 9.54%, 9.54% and 9.95% of covered salaries, respectively, to the District to cover its obligation relating to the PCOPs.

During the years ended June 30, 2019, 2018 and 2017, the Organization contributed $1,500,496, $1,239,857 and $1,040,576, respectively, to the District for its PCOPs obligation.

Note 7: Defined Benefit Other Postemployment Benefit (OPEB)

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan Description

Eligible employees of the Organization are provided with OPEB through the DPS HCTF — a single-employer defined benefit OPEB plan administered by PERA. The DPS HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The DPS 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 Heath Care Trust Fund (HCTF) and the DPS HCTF. The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

Contributions

Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the DPS HCTF. PERA reporting agencies of the DPS Division are required to contribute at a rate of 1.02% of PERA-includable salary into the DPS HCTF.

Employer contributions are recognized by the DPS HCTF in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions. Employer contributions recognized by the DPS HCTF from the Organization were $160,505 for the year ended June 30, 2019.

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

In accordance with GASB 75, the Organization, as a component unit of Denver Public Schools participating in DPS's single-employer OPEB plan, reports its participation as if it were a cost-sharing employer.

At June 30, 2019, the Organization reported a liability of $893,017 for its proportionate share of the net OPEB liability. The net OPEB liability for the DPS HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Organization's proportion of the net OPEB liability was based on the Organization's contributions to the DPS HCTF for the calendar year 2018 relative to the total contributions of participating employers to the DPS HCTF.

At December 31, 2018, the Organization's proportion was 1.98%, which was an increase of 0.26% from its proportion measured as of December 31, 2017 of 1.72%.

For the year ended June 30, 2019, the Organization recognized OPEB expense of $129,237. At June 30, 2019, the Organization 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	$ -	$ 103,635
Changes of assumptions or other inputs	79	-
Net difference between projected and actual earnings on OPEB plan investments	18,070	-
Changes in proportion and differences between the contributions recognized and proportionate share of contributions	254,261	-
Contributions subsequent to the measurement date	80,756	-
Total	$ 353,166	$ 103,635

$80,756 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30	
2020	$ 29,368
2021	29,368
2022	29,348
2023	37,098
2024	26,758
Thereafter	16,835
	$ 168,775

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 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	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5% in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

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

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

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age 65 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 valuate date:

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

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

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

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

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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

Mortality assumptions for the determination of the total pension liability for the DPS Division as shown below are applied, as applicable, in the determination of the total OPEB liability for the DPS HCTF. Affiliated employers of the DPS Division participate in the DPS 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% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions for the DPS Division 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% 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 DPS HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

Sensitivity of the Organization'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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$892,760	$893,017	$893,314

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the DPS HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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 Organization'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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease Rate (6.25%)	Current Discount Rate (7.25%)	1% Increase Rate (8.25%)
Proportionate share of the net OPEB liability	$ 1,022,393	$ 893,017	$ 782,265

OPEB Plan Fiduciary Net Position

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

Note 8: Commitments, Contingencies and Compliance

Claims and Judgments

The Organization participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Organization may be required to reimburse the other government. At June 30, 2019, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Organization.

Litigation

The Organization is subject to litigation that arises in the ordinary course of its activities. The Organization anticipates no potential claims resulting from this litigation which would materially affect the financial statements of the Organization.

TABOR Amendment

In November 1992, Colorado voters approved the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The TABOR Amendment is subject to many interpretations, but the Organization believes it is in substantial compliance with the TABOR Amendment. In accordance with the TABOR Amendment, the Organization has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2019, the reserve reported as restricted net position/fund balance totaled $806,099.

Facility Use Agreement

The Organization has approved facility use agreements with the District to utilize educational facilities owned by the District. For the year ended June 30, 2019, the Organization paid facility use fees of $773.45 per student. The agreements require facility use fees of $770.30 per student for the year ending June 30, 2020.

Public School Financial Transparency Act

The Public School Financial Transparency Act requires local education providers to post financial information online, in a downloadable format, for free public access. The Organization believes it is in compliance with this Act and has made such information available via a direct link from the Organization's website to the required information on the District's website.

Required Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Proportionate Share of the Net Pension Liability
Years Ended December 31,

	2018	2017	2016	2015	2014
KIPP Colorado Schools' proportion of the net pension liability	1.30%	1.73%	1.40%	1.16%	0.99%
KIPP Colorado Schools' proportionate share of the net pension liability	$ 13,320,800	$ 15,464,601	$ 15,296,531	$ 9,436,078	$ 6,169,284
KIPP Colorado Schools' covered payroll	$ 14,355,677	$ 11,692,177	$ 9,226,932	$ 7,257,631	$ 5,821,424
KIPP Colorado Schools' proportionate share of the net pension liability as a percentage of its covered payroll	92.79%	132.26%	165.78%	130.02%	105.98%
Plan fiduciary net position as a percentage of the total pension liability	75.69%	79.51%	74.05%	79.30%	83.94%

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Pension Contributions
Years Ended June 30,

	2019	2018	2017	2016	2015
Contractually required contribution	$ 844,271	$ 580,235	$ 348,523	$ 161,457	$ 141,702
Contributions in relation to the contractually required contribution	844,271	580,235	348,523	161,457	141,702
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
KIPP Colorado Schools' covered payroll	$ 15,735,795	$ 12,916,078	$ 10,418,324	$ 8,138,698	$ 6,361,937
Contributions as a percentage of covered payroll	5.37%	4.49%	3.35%	1.98%	2.23%

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's Proportionate Share of the Net OPEB Liability
Year Ended December 31,

	2018	2017
KIPP Colorado Schools' proportion of the net OPEB liability	1.98%	1.72%
KIPP Colorado Schools' proportionate share of the net OPEB liability	$ 893,017	$ 876,686
KIPP Colorado Schools' covered payroll	$ 14,355,677	$ 11,692,177
KIPP Colorado Schools' proportionate share of the net OPEB liability as a percentage of its covered payroll	6.22%	7.50%
Plan fiduciary net position as a percentage of the total OPEB liability	34.72%	30.45%

Note: Information is not available prior to 2017. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Schedule of the Organization's OPEB Contributions
Year Ended June 30,

	2019	2018
Contractually required contribution	$ 160,505	$ 131,744
Contributions in relation to the contractually required contribution	160,505	131,744
Contribution deficiency (excess)	$ -	$ -
KIPP Colorado Schools' covered payroll	$ 15,735,795	$ 12,916,078
Contributions as a percentage of covered payroll	1.02%	1.02%

Note: Information is not available prior to 2018. In future reports, additional years will be added until 10 years of historical data are presented.

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 18,789,208	$ 19,067,235	$ 19,150,103	$ 82,868
District mill levy	5,194,759	5,277,221	5,213,083	(64,138)
Student activities	264,240	258,439	253,213	(5,226)
Food service fees	-	-	230,721	230,721
Grants and contributions	3,623,238	3,623,238	1,557,149	(2,066,089)
Investment income	75,000	75,000	94,790	19,790
Intercompany	3,085,403	3,087,580	3,087,175	(405)
Miscellaneous	114,427	114,427	70,660	(43,767)
Total local sources	31,146,275	31,503,140	29,656,894	(1,846,246)
State sources				
Grants	619,508	629,727	2,070,750	1,441,023
Total state sources	619,508	629,727	2,070,750	1,441,023
Federal sources				
Grants	1,608,580	2,087,657	1,852,832	(234,825)
Total revenues	33,374,363	34,220,524	33,580,476	(640,048)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund (continued)
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	15,927,385	16,058,756	16,012,254	46,502
Employee benefits	4,218,334	4,266,112	4,466,668	(200,556)
Purchased professional services	1,083,103	1,161,806	1,095,193	66,613
Purchased property services	419,255	433,124	451,504	(18,380)
Other purchased services	5,647,765	5,621,539	5,211,765	409,774
Supplies and materials	1,415,678	1,479,508	1,781,334	(301,826)
Property and equipment	474,376	629,626	552,312	77,314
Intercompany	3,085,403	3,087,580	3,087,175	405
Miscellaneous	1,111,612	1,124,250	632,826	491,424
Total expenditures	33,382,911	33,862,301	33,291,031	571,270
Net Change in Fund Balance	(8,548)	358,223	289,445	(68,778)
Fund Balance, Beginning	5,737,982	5,737,982	5,820,115	82,133
Fund Balance, Ending	$ 5,729,434	$ 6,096,205	$ 6,109,560	$ 13,355
Appropriated Reserves				
Contingency	$ 166,034	$ 54,754	N/A	N/A
Release of appropriated fund balance	100,000	72,000	N/A	N/A
Fund balance reserve	5,461,687	6,072,005	N/A	N/A
	$ 5,727,721	$ 6,198,759		

Reconciliation of Non-GAAP Budgetary Basis to Actual GAAP Basis

Revenues (budgetary)	$ 33,580,476
Less intercompany	(3,087,174)
Total revenues (GAAP basis)	$ 30,493,302
Expenditures (budgetary)	$ 33,291,031
Less intercompany	(3,087,174)
Total expenditures (GAAP basis)	$ 30,203,857

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Notes to Required Supplementary Information
Year Ended June 30, 2019

Note 1: Stewardship, Compliance, and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the Organization on a basis consistent with generally accepted accounting principles, except for the inclusion of intercompany transactions.

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

As stipulated in state statutes, expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.

Note 2: Significant Changes Affecting Trends in Actuarial Information

2018 Changes in Assumptions or Other Inputs Since 2017

Defined Benefit Pension Plan

- The following changes were made to the plan provisions as part of Senate Bill (SB) 18-200:
    - Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020, and an additional 0.50% effective July 1, 2021.
    - Employer contribution rates increase by 0.25% effective July 1, 2019 for State, School, Judicial and DPS Divisions.
    - An annual direct distribution of $225 million (actual dollars) from the State of Colorado, recognized as a nonemployer contributing entity, is distributed between the State, School, Judicial and DPS Divisions proportionally based on payroll.
    - Annual Increase (AI) cap is lowered from 2% per year to 1.50% per year.
    - Initial AI waiting period is extended from one year after retirement to three years after retirement.
    - AI payments are suspended for 2018 and 2019.
    - The number of years used in the Highest Average Salary calculation for non-vested members as of January 1, 2020, increases from three to five years for the State, School, Local Government and DPS Divisions and increases from one to three years for the Judicial Division.

- Actual employer contributions to the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 refinanced thereafter.

Defined Benefit Other Post Employment Benefit

- There were no changes made to the plan provisions.

Supplementary Information

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet
June 30, 2019

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Northeast Denver Middle School	KIPP Northeast Denver Leadership Academy
Assets				
Cash and investments	$ 2,171,004	$ 467,486	$ 1,206,468	$ 864,561
Grants receivable	74,475	71,157	15,354	93,424
Other receivables	10,226	-	-	-
Inter-entity receivable	3,747,596	1,505,341	2,311,652	1,757,459
Prepaid expenditures	-	321	-	126,652
Total assets	$ 6,003,301	$ 2,044,305	$ 3,533,474	$ 2,842,096
Liabilities and Fund Balance				
Liabilities				
Accounts payable	$ 174,425	$ 48,839	$ 36,834	$ 224,344
Inter-entity payable	3,267,220	1,082,548	1,937,572	1,596,835
Accrued liabilities	44,726	51,519	34,564	54,440
Unearned revenue	-	-	-	-
Total liabilities	3,486,371	1,182,906	2,008,970	1,875,619
Fund Balance				
Nonspendable prepaid expenditures	-	321	-	126,652
Restricted for emergencies	139,838	152,556	145,243	171,657
Restricted for capital construction	126,837	9,141	20,831	6,566
Unrestricted, unassigned	2,250,255	699,381	1,358,430	661,602
Total fund balance	2,516,930	861,399	1,524,504	966,477
Total liabilities and fund balance	$ 6,003,301	$ 2,044,305	$ 3,533,474	$ 2,842,096

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Balance Sheet (continued)
June 30, 2019

	KIPP Northeast Elementary School	KIPP Sunshine Peak Elementary	Central Office	Eliminations	Total
Assets					
Cash and investments	$ 942,999	$ 61,278	$ 641,283	$ -	$ 6,355,079
Grants receivable	577	464,830	-	-	719,817
Other receivables	-	-	-	-	10,226
Inter-entity receivable	658,873	824,286	4,279,507	(15,084,714)	-
Prepaid expenditures	33,596	426	51,700	-	212,695
Total assets	$ 1,636,045	$ 1,350,820	$ 4,972,490	$ (15,084,714)	$ 7,297,817
Liabilities and Fund Balance					
Liabilities					
Accounts payable	$ 74,038	$ 65,471	$ 257,028	$ -	$ 880,979
Inter-entity payable	1,129,385	1,075,673	4,995,481	(15,084,714)	-
Accrued liabilities	26,576	23,135	62,318	-	297,278
Unearned revenue	-	-	10,000	-	10,000
Total liabilities	1,229,999	1,164,279	5,324,827	(15,084,714)	1,188,257
Fund Balance					
Nonspendable prepaid expenditures	33,596	426	51,700	-	212,695
Restricted for emergencies	147,109	150	49,546	-	806,099
Restricted for capital construction	4,469	7,246	-	-	175,090
Unrestricted, unassigned	220,872	178,719	(453,583)	-	4,915,676
Total fund balance	406,046	186,541	(352,337)	-	6,109,560
Total liabilities and fund balance	$ 1,636,045	$ 1,350,820	$ 4,972,490	$ (15,084,714)	$ 7,297,817

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance
Year Ended June 30, 2019

	KIPP Sunshine Peak Academy	KIPP Denver Collegiate High School	KIPP Northeast Denver Middle School	KIPP Northeast Denver Leadership Academy	KIPP Northeast Elementary School
Revenues					
Local sources	$ 4,530,754	$ 4,977,664	$ 4,605,597	$ 5,486,442	$ 4,650,584
State sources	212,067	195,709	321,514	330,203	326,313
Federal sources	260,004	302,179	271,022	391,967	176,203
Total revenues	5,002,825	5,475,552	5,198,133	6,208,612	5,153,100
Expenditures					
Current					
Instruction	2,245,742	2,693,990	2,492,042	3,077,152	2,542,093
Supporting services	2,620,888	2,669,132	2,760,410	2,922,407	2,542,175
Total expenditures	4,866,631	5,363,122	5,252,452	5,999,558	5,084,268
Net Change in Fund Balance	136,194	112,430	(54,319)	209,054	68,832
Fund Balance, Beginning as Previously Presented	2,339,450	771,043	1,608,797	786,617	360,178
Revision to breakout KSPE	(73,858)	-	-	-	-
Revision to correct allocation of certain expenditures	115,144	(22,074)	(29,974)	(29,194)	(22,964)
Fund Balance, Beginning as Revised	2,380,736	748,969	1,578,823	757,423	337,214
Fund Balance, Ending	$ 2,516,930	$ 861,399	$ 1,524,504	$ 966,477	$ 406,046

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (continued)
Year Ended June 30, 2019

	KIPP Sunshine Peak Elementary	Central Office	Eliminations	Total
Revenues				
Local sources	$ 658,854	$ 4,747,000	$ (3,087,175)	$ 26,569,720
State sources	623,095	61,848	-	2,070,750
Federal sources	451,457	-	-	1,852,832
Total revenues	1,733,406	4,808,848	(3,087,175)	30,493,302
Expenditures				
Current				
Instruction	1,016,735	59,742	-	14,127,495
Supporting services	612,264	5,036,260	(3,087,175)	16,076,361
Total expenditures	1,628,998	5,096,002	(3,087,175)	30,203,857
Net Change in Fund Balance	104,408	(287,154)	-	289,445
Fund Balance, Beginning as Previously Presented	-	(45,970)	-	5,820,115
Revision to breakout KSPE	73,858	-	-	-
Revision to correct allocation of certain expenditures	8,275	(19,213)	-	-
Fund Balance, Beginning as Revised	82,133	(65,183)	-	5,820,115
Fund Balance, Ending	$ 186,541	$ (352,337)	$ -	$ 6,109,560

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Sunshine Peak Academy
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,506,250	$ 3,531,904	$ 3,542,382	$ 10,478
District mill levy	690,220	727,811	692,308	(35,503)
Student activities	35,000	34,925	41,240	6,315
Food service fees	-	-	230,721	230,721
Grants and contributions	7,000	7,000	24,103	17,103
Investment income	-	-	-	-
Miscellaneous	19,819	19,819	-	(19,819)
Total local sources	4,258,289	4,321,459	4,530,754	209,295
State sources				
Grants	109,559	123,225	212,067	88,842
Total state sources	109,559	123,225	212,067	88,842
Federal sources				
Grants	500,073	519,229	260,004	(259,225)
Total revenues	4,867,921	4,963,913	5,002,825	38,912

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Sunshine Peak Academy
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,224,642	2,299,878	2,245,360	54,518
Employee benefits	581,669	608,551	636,308	(27,757)
Purchased professional services	117,776	70,738	55,745	14,993
Purchased property services	30,360	30,229	31,605	(1,376)
Other purchased services	1,621,284	1,624,275	1,526,611	97,664
Supplies and materials	164,373	196,970	254,131	(57,161)
Property and equipment	97,300	110,300	111,041	(741)
Miscellaneous	7,500	7,500	5,830	1,670
Total expenditures	4,844,904	4,948,441	4,866,631	81,810
Net Change in Fund Balance	23,017	15,472	136,194	120,722
Fund Balance, Beginning	2,380,736	2,380,736	2,380,736	-
Fund Balance, Ending	$ 2,403,753	$ 2,396,208	$ 2,516,930	$ 120,722
Appropriated Reserves				
Contingency	$ 33,973	$ 5,418	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	2,369,780	2,390,790	N/A	N/A
	$ 2,403,753	$ 2,396,208		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Denver Collegiate High School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,898,344	$ 3,961,016	$ 3,931,357	$ (29,659)
District mill levy	964,171	968,421	970,892	2,471
Student activities	69,240	69,310	73,533	4,223
Grants and contributions	-	-	1,882	1,882
Miscellaneous	18,800	18,800	-	(18,800)
Total local sources	4,950,555	5,017,547	4,977,664	(39,883)
State sources				
Grants	126,556	100,418	195,709	95,291
Total state sources	126,556	100,418	195,709	95,291
Federal sources				
Grants	209,865	231,122	302,179	71,057
Total revenues	5,286,976	5,349,087	5,475,552	126,465

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Denver Collegiate High School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,539,945	2,447,636	2,590,695	(143,059)
Employee benefits	675,034	657,111	730,714	(73,603)
Purchased professional services	147,563	147,617	110,607	37,010
Purchased property services	57,470	57,470	63,106	(5,636)
Other purchased services	1,610,016	1,576,334	1,562,094	14,240
Supplies and materials	167,650	168,000	192,040	(24,040)
Property and equipment	71,882	98,882	74,509	24,373
Miscellaneous	35,000	40,000	39,357	643
Total expenditures	5,304,560	5,193,050	5,363,122	(170,072)
Net Change in Fund Balance	(17,584)	156,037	112,430	(43,607)
Fund Balance, Beginning as Revised	748,969	748,969	748,969	-
Fund Balance, Ending	$ 731,385	$ 905,006	$ 861,399	$ (43,607)
Appropriated Reserves				
Contingency	$ 48,657	$ 1,549	N/A	N/A
Release of appropriated fund balance	-	27,000	N/A	N/A
Fund balance reserve	682,728	876,457	N/A	N/A
	$ 731,385	$ 905,006		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Denver Middle School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,861,269	$ 3,839,211	$ 3,857,508	$ 18,297
Other revenue	-	168,823	-	(168,823)
District mill levy	721,679	714,595	711,529	(3,066)
Student activities	34,620	34,500	18,748	(15,752)
Grants and contributions	133,000	133,000	4,070	(128,930)
Investment income	-	-	-	-
Miscellaneous	18,400	18,400	13,742	(4,658)
Total local sources	4,768,968	4,908,529	4,605,597	(302,932)
State sources				
Grants	92,768	90,604	321,514	230,910
Total state sources	92,768	90,604	321,514	230,910
Federal sources				
Grants	229,357	271,022	271,022	-
Total revenues	5,091,093	5,270,155	5,198,133	(72,022)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Northeast Denver Middle School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,380,597	2,567,162	2,513,226	53,936
Employee benefits	657,633	706,790	696,640	10,150
Purchased professional services	80,729	87,225	104,045	(16,820)
Purchased property services	33,440	36,440	43,909	(7,469)
Other purchased services	1,619,121	1,594,873	1,550,019	44,854
Supplies and materials	184,647	154,397	230,006	(75,609)
Property and equipment	98,325	98,325	72,028	26,297
Miscellaneous	35,000	35,000	42,579	(7,579)
Total expenditures	5,089,492	5,280,212	5,252,452	27,760
Net Change in Fund Balance	1,601	(10,057)	(54,319)	(44,262)
Fund Balance, Beginning	1,578,823	1,578,823	1,578,823	-
Fund Balance, Ending	$ 1,580,424	$ 1,568,766	$ 1,524,504	$ (44,262)
Appropriated Reserves				
Contingency	$ 35,321	$ 11,719	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	1,545,103	1,557,047	N/A	N/A
	$ 1,580,424	$ 1,568,766		

KIPP Colorado Schools

(A Component Unit of Denver Public Schools)

Budgetary Comparison Schedule

KIPP Northeast Denver Leadership Academy

Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 4,192,662	$ 4,289,481	$ 4,348,082	$ 58,601
District mill levy	1,043,446	1,063,704	1,045,085	(18,619)
Student activities	55,670	46,418	72,582	26,164
Grants and contributions	149,000	149,000	20,250	(128,750)
Investment income	-	-	-	-
Miscellaneous	19,200	19,200	443	(18,757)
Total local sources	5,459,978	5,567,803	5,486,442	(81,361)
State sources				
Grants	104,077	90,323	330,203	239,880
Total state sources	104,077	90,323	330,203	239,880
Federal sources				
Grants	226,342	398,464	391,967	(6,497)
Total revenues	5,790,397	6,056,590	6,208,612	152,022

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Northeast Denver Leadership Academy
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,777,747	2,795,139	2,811,073	(15,934)
Employee benefits	762,952	771,600	771,717	(117)
Purchased professional services	129,850	225,650	98,465	127,185
Purchased property services	40,062	53,062	59,473	(6,411)
Other purchased services	1,765,093	1,805,133	1,755,508	49,625
Supplies and materials	203,188	267,251	369,218	(101,967)
Property and equipment	71,500	75,500	78,213	(2,713)
Miscellaneous	36,815	44,453	55,890	(11,437)
Total expenditures	5,787,207	6,037,788	5,999,558	38,231
Net Change in Fund Balance	3,190	18,802	209,054	190,253
Fund Balance, Beginning	757,423	757,423	757,423	-
Fund Balance, Ending	$ 760,613	$ 776,225	$ 966,477	$ 190,253
Appropriated Reserves				
Contingency	$ 15,527	$ -	N/A	N/A
Release of appropriated fund balance	100,000	45,000	N/A	N/A
Fund balance reserve	645,086	731,225	N/A	N/A
	$ 760,613	$ 776,225		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Northeast Elementary School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 3,182,070	$ 3,331,160	$ 3,354,473	$ 23,313
District mill levy	1,209,304	1,261,325	1,245,716	(15,609)
Student activities	62,210	65,786	46,041	(19,745)
Grants and contributions	-	-	4,354	4,354
Investment income	-	-	-	-
Miscellaneous	16,000	16,000	-	(16,000)
Total local sources	4,469,584	4,674,271	4,650,584	(23,687)
State sources				
Grants	182,126	221,767	326,313	104,546
Total state sources	182,126	221,767	326,313	104,546
Federal sources				
Grants	180,985	170,420	176,203	5,783
Total revenues	4,832,695	5,066,458	5,153,100	86,642

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Northeast Elementary School
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,275,342	2,451,976	2,438,707	13,269
Employee benefits	617,518	680,529	704,283	(23,754)
Purchased professional services	91,250	82,450	87,908	(5,458)
Purchased property services	33,900	33,900	29,561	4,339
Other purchased services	1,425,762	1,442,417	1,400,570	41,847
Supplies and materials	281,870	269,870	317,383	(47,513)
Property and equipment	62,069	66,569	66,137	432
Miscellaneous	33,200	33,200	39,719	(6,519)
Total expenditures	4,820,911	5,060,911	5,084,268	(23,357)
Net Change in Fund Balance	11,784	5,547	68,832	63,285
Fund Balance, Beginning	337,214	337,214	337,214	-
Fund Balance, Ending	$ 348,998	$ 342,761	$ 406,046	$ 63,285
Appropriated Reserves				
Contingency	$ 25,056	$ 35,022	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	323,942	307,739	N/A	N/A
	$ 348,998	$ 342,761		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Sunshine Peak Elementary
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
Per pupil revenue	$ 148,613	$ 114,463	$ 116,301	$ 1,838
District mill levy	565,939	541,365	547,553	6,188
Student activities	7,500	7,500	-	(7,500)
Grants and contributions	550,000	550,000	(5,000)	(555,000)
Total local sources	1,272,052	1,213,328	658,854	(554,474)
State sources				
Grants	4,422	3,390	623,095	619,705
Total state sources	4,422	3,390	623,095	619,705
Federal sources				
Grants	261,958	484,400	451,457	(32,943)
Total revenues	1,538,432	1,701,118	1,733,406	32,288

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Sunshine Peak Elementary
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	796,679	797,514	827,906	(30,392)
Employee benefits	229,105	213,842	218,085	(4,243)
Purchased professional services	11,000	11,771	30,272	(18,501)
Purchased property services	111,708	111,708	94,602	17,106
Other purchased services	195,057	178,344	139,125	39,219
Supplies and materials	125,070	147,570	176,796	(29,226)
Property and equipment	65,600	171,600	139,765	31,835
Miscellaneous	2,500	2,500	2,447	53
Total expenditures	1,536,719	1,634,849	1,628,998	5,851
Net Change in Fund Balance	1,713	66,269	104,408	38,139
Fund Balance, Beginning	82,133	82,133	82,133	-
Fund Balance, Ending	$ 83,846	$ 148,402	$ 186,541	$ 38,139
Appropriated Reserves				
Contingency	$ 33,973	$ 5,418	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	49,873	142,984	N/A	N/A
	$ 83,846	$ 148,402		

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
KIPP Central Office
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Local sources				
CMO Fee	$ 3,085,403	$ 3,087,580	$ 3,087,175	$ (405)
Student activities	-	-	1,069	1,069
Grants and contributions	2,784,238	2,784,238	1,507,491	(1,276,747)
Investment income	75,000	75,000	94,790	19,790
Miscellaneous	22,208	22,208	56,475	34,267
Total local sources	5,966,849	5,969,026	4,747,000	(1,222,026)
State sources				
Grants	-	-	61,848	61,848
Total state sources	-	-	61,848	61,848
Federal sources				
Grants	-	13,000	-	(13,000)
Total revenues	5,966,849	5,982,026	4,808,848	(1,173,178)

KIPP Colorado Schools
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule (continued)
KIPP Central Office
Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Expenditures				
Current				
Salaries	2,932,433	2,699,451	2,585,287	114,164
Employee benefits	694,423	627,689	708,920	(81,231)
Purchased professional services	504,935	536,355	608,151	(71,796)
Purchased property services	112,315	110,315	129,248	(18,933)
Other purchased services	496,835	487,743	365,013	122,730
Supplies and materials	288,880	275,450	241,760	33,690
Property and equipment	7,700	8,450	10,619	(2,169)
Miscellaneous	961,597	961,597	447,004	514,593
Total expenditures	5,999,118	5,707,050	5,096,002	611,048
Net Change in Fund Balance	(32,269)	274,976	(287,154)	(562,130)
Fund Balance, Beginning	(65,183)	(65,183)	(65,183)	-
Fund Balance, Ending	$ (97,452)	$ 209,793	$ (352,337)	$ (562,130)
Appropriated Reserves				
Contingency	$ 7,500	$ 1,046	N/A	N/A
Release of appropriated fund balance	-	-	N/A	N/A
Fund balance reserve	(104,952)	208,747	N/A	N/A
	$ (97,452)	$ 209,793		

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

Board of Directors
KIPP Colorado Schools
Denver, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of governmental activities and the major fund of KIPP Colorado Schools (the Organization), a component unit of Denver Public Schools, as of June 30, 2019, and the related notes to the Organization's financial statements, and have issued our report thereon dated October 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Organization's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Board of Directors
KIPP Colorado Schools

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Organization's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Denver, Colorado
October 18, 2019