

**ARRIBA-FLAGLER CONSOLIDATED  
SCHOOL DISTRICT NUMBER 20**  
Flagler, Colorado

Financial Statements  
For the Year Ended June 30, 2018

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
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# WINFREY, COUNTY & HAYS, PC

## Certified Public Accountants

577 14th Street  
Burlington, Colorado 80807  
Telephone 719-346-7216  
Fax 719-346-8499

Gerald D. County, CPA  
Jennifer M. Hays, CPA

Kristina L. Lowe, CPA  
Sarah M. Bailey, CPA

### INDEPENDENT AUDITOR'S REPORT

Board of Education  
Arriba-Flagler Consolidated School District Number 20  
Flagler, Colorado 80815

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Arriba-Flagler Consolidated School District Number 20 (the "District"), as of and for the year ended June 30, 2018, which collectively comprise the District'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. 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.

## Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Arriba-Flagler Consolidated School District Number 20, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## 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 information, pension information and other post-employment benefit information on pages a-g and 30-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the management discussion and analysis we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arriba-Flagler Consolidated School District Number 20's basic financial statements. The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the procedures described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Winfrey, County & Hays, PC*

Winfrey, County & Hays, PC  
November 16, 2018

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**

Management of Arriba-Flagler CSD #20 offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The focus of the information is on the primary government-general fund.

Effective July 1, 2014 the Food Service Fund was changed from a proprietary fund to a governmental special revenue fund. There was no effect on the financial statements. All prior year amounts have been restated.

**Financial Highlights**

- The net position of the District decreased \$1,211,722 to negative \$1,280,571.
- The District successfully passed a bond measure in January 2015 in the amount of \$340,000. The District used those funds to call the 2005 bond that were due in 2018, 2019 and 2020.
- The district continues to receive grant monies from local and state sources that may or may not continue.
- As of the close of the 2017-18 Fiscal Year, the District's governmental funds reported combined ending fund balances of \$2,473,504. This represents a decrease of \$201,998 from the previous year.
- The District had adequate funds available for all appropriations.

**Overview of Financial Statements**

The discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements consist of these components: 1) government wide-financial statements, 2) fund financial statements, 3) notes to the basic financial statements. In addition the basic financial statements, other supplementary information is provided to assist the reader in understanding the information provided.

**Government-Wide Financial Statements**

These statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the district's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position is an indication of whether its financial health is improving or deteriorating.

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

Government Activities - all of the District's basic services are included here, such as instruction, administration, operation of the buildings, grounds and pupil transportation. Property taxes and state and federal subsidies and grants finance these activities.

Fund Financial Statements

These statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required by state law and bond requirements.

Governmental Funds - most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted into cash. The governmental fund statements provide detailed short-term view of the District's operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Fiduciary Funds - acts as a trustee, or fiduciary for student activities. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

**Financial Analysis of the District as a Whole:**

The District's total net position was negative \$1,280,571 at the close of business on June 30, 2018.

Table 1  
Fiscal Year Ended June 30, 2018  
Net Position

	Government Activities	
	<u>6/30/18</u>	<u>6/30/17</u>
Current and Other Assets	2,642,034	2,838,469
Capital Assets	<u>2,318,770</u>	<u>2,035,278</u>
Total Assets	4,960,804	4,873,747
Deferred Outflows	2,208,484	2,801,036
Current and Other Liabilities	168,530	332,967
Long Term Liabilities	<u>7,825,127</u>	<u>7,270,239</u>
Total Liabilities	7,993,657	7,603,206
Deferred Inflows	456,200	140,426
Net Position		
Invested in Capital Assets	2,318,770	2,035,278
Restricted for Bond Retirement	0	348,639
Restricted for TABOR	74,464	70,160
Unrestricted	<u>(3,673,804)</u>	<u>(2,522,926)</u>
Total Net Position	<u>(1,280,571)</u>	<u>(68,849)</u>

As noted earlier, net position may serve over time as a useful indicator of the District's financial position. In the case of the Arriba-Flagler School District, liabilities exceed assets by approximately, \$1,280,571.

Of the District's \$4,960,804 in total assets, \$2,318,770 (47%) reflects investments in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net position is a negative \$3,673,805.

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

The results of this year's operations as a whole are reported in the Statement of Activities on Page 2. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The two largest general revenues are the equalization provided by the State of Colorado Department of Education and the property taxes assessed to District taxpayers. Table 2 takes the information from that statement, rearranges it slightly, so the reader can see the total revenues for the year.

Table 2  
Fiscal Year Ended June 30, 2018

	<u>Change in Net Position</u>	
	Government Activities	
	<u>6/30/18</u>	<u>6/30/17</u>
<b>Revenues</b>		
Program Revenues		
Charges for Service	43,503	45,758
Operating Grants	341,155	528,196
Capital Grants	27,526	580
General Revenues		
Property Taxes	855,718	967,493
Specific Ownership Taxes	81,089	95,233
State Equalization	1,185,146	1,292,953
Sale of Assets	0	2,587
Other	<u>41,626</u>	<u>47,185</u>
Total Revenues	2,575,764	2,979,986
<b>Expenses</b>		
Instruction	2,076,462	1,960,563
Pupil Services	49,116	21,634
Instructional Services	84,306	128,030
General Administration	247,653	291,347
School Administration	245,077	172,720
Business Services	123,521	53,703
Operations & Maintenance	293,983	393,104
Pupil Transportation	221,163	165,628
Other Support Services	43,442	0
Noninstructional Services		
Non-Athletic	9,534	6,222
Athletic Programs	31,106	38,641
Community Services	0	15,000
Interest on Long-Term Debt	7,850	14,058
Food Services	<u>179,894</u>	<u>162,157</u>
Total Expenses	<u>3,613,108</u>	<u>3,422,809</u>
Change in Net Position	<u>(1,037,344)</u>	<u>(442,824)</u>

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

Table 3 shows the District's largest areas of expenditures and unallocated depreciation expense. It also shows the net total costs (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants and subsidies to show the remaining financial needs supported by local taxes and other revenue.

Table 3  
Fiscal Year Ended June 30, 2018  
Government Activities

Functions/Programs	Year Ended 6/30/18		Year Ended 6/30/17	
	Total Cost of Program	Net Cost of Services	Total Cost of Program	Net Cost of Services
Instruction	2,076,462	1,840,033	1,960,563	1,601,444
Pupil Services	49,116	49,116	21,634	21,634
Instructional Services	84,306	84,306	128,030	128,030
General Administration	247,653	247,653	291,347	291,347
School Administration	245,077	245,077	172,720	172,720
Business Services	123,521	123,521	53,703	53,703
Operations & Maintenance	293,983	266,457	393,104	392,524
Pupil Transportation	221,163	186,838	165,628	116,265
Other Support Services	43,442	43,442	0	0
Noninstructional Services				
Non-Athletic	9,534	9,534	6,222	6,222
Athletic Programs	31,106	31,106	38,641	38,641
Community Services	0	0	15,000	15,000
Food Services	179,894	65,990	162,157	(3,315)
Interest on Long-Term Debt	<u>7,850</u>	<u>7,850</u>	<u>14,058</u>	<u>14,058</u>
Total Governmental Activities	3,613,108	3,200,924	3,422,809	2,848,275
Less State Equalization		<u>1,185,146</u>		<u>1,292,953</u>
Total Needs From Local Taxes and Other Revenues		<u>2,015,778</u>		<u>1,555,322</u>

**The District Funds**

At June 30, 2018, the District governmental funds reported a combined fund balance of \$2,473,504 which is a decrease of \$201,998. The decrease is largely due to a decrease in enrollment in the 17-18 school year. The General Fund expenses increased \$145,333 due to increase in salaries and benefits. The Bond Redemption Fund expenditures decreased \$90,625 due to the bond principal payment decreasing \$85,000 and the bond interest decreasing \$5,188, while the Capital Project Fund expenditures increased \$100,216 due to capital asset purchases that were made for the year. The Food Service Fund expenditures decreased \$35,242.

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

Financial Analysis of the District's Funds

Total General Fund revenues for the district in FY 18 decreased \$178,315 (-6.88%) while total expenditures increased \$145,333 (6.76%). The ending fund balance increased from 2,248,269 to \$2,343,123.

General Fund Budget

The General Fund Budget and the "Ending Fund Balance" that it contains are adequate. The "Ending Fund Balance" was increased by \$94,854 from the previous year. The district will have a "Beginning Fund Balance" of \$2,343,123 for the FY18 budget.

Capital Assets and Debt Administration

At June 30, 2018, the District had total capital assets of \$2,318,770.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Sites	85,170	85,170
Site Improvements	223,395	198,395
Buidlings	3,687,794	3,517,892
Equipment	628,948	503,547
Transportation	<u>441,864</u>	<u>338,284</u>
Total Capital Assets	5,067,171	4,643,288
Accumulated Depreciation	<u>(2,748,401)</u>	<u>(2,608,010)</u>
Total Capital Assets	<u><u>2,318,770</u></u>	<u><u>2,035,278</u></u>

Major capital purchases include a rental house for \$140,600, a greenhouse for \$29,302, the remaining payment on the playground equipment for \$77,521, additional cost to the security system for \$40,479, an oven for \$7,400, landscaping in the courtyard for \$25,000, and a 71 passenger bus for \$103,580.

**Arriba-Flagler Consolidated School District #20**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2018**  
**(continued)**

Economic Factors and Next Year's Budget and Rates

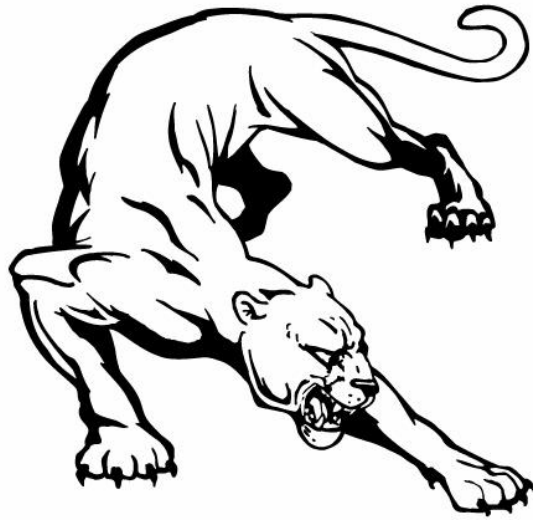
The FY 19 budget is stable, with no significant factors appearing to impact the district. Enrollment figures are down and the district may continue to experience a decrease in state funding due to this. Special education costs have increased due to an increase of enrollment in special education students; and staff changes due to this increase are likely to produce more instructional expenses than previous years. The Board of Education did provide certified and classified staff raises this last year, as well as covered insurance premium increases. These increases in salaries and contributions to benefits allow the District to compensate at a level comparable to other nearby rural districts.

Currently our district is in a fair financial position, with adequate reserves that would continue to assist the district in maintaining expenses if a sudden decrease in revenue were to occur. Three years ago, the district significantly reduced its reserves by using Capital Reserve funds, Capital Projects funds and General fund dollars to pay its match on a CDE BEST grant for a new roof. The district was able to allocate and establish funding to seek an additional matching BEST grant for security. The ending fund balance increased to \$2,343,123, as compared to \$2,248,269 in the prior year. Over this last year, the district was able to purchase another Suburban and a new 75-passenger bus to begin replacing the aged and stretched fleet of district vehicles. Increases in the fund balance also allow the district to make fiscally responsible allocations to offset effects of possible rescission in state allocations or to build the district's Capital Projects funds.

Considering that enrollment has decreased, and, as we continue to access grants for capital upgrades, the district's financial position is expected to remain stable. In light of the state's refusal to backfill the budget stabilization factor's impact on the district's budget, which now equates to over a complete year of funding, the district will continue to save and spend wisely.

Contacting the District Financial Management

The District's financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning the information provided in this report or requests for additional information should be addressed to the Superintendent of Schools at Arriba-Flagler CSD #20, P.O. Box 218, Flagler, CO 80815



## BASIC FINANCIAL STATEMENTS

## ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20

Flagler, Colorado  
Statement of Net Position  
June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	1,893,532
Certificates of deposit	667,691
Accounts/Grants receivable	33,697
Inventory	9,820
Accrued property taxes receivable	<u>37,295</u>
Total Current Assets	2,642,034
Capital assets, net	<u>2,318,770</u>
Total Assets	4,960,804
DEFERRED OUTFLOWS OF RESOURCES	2,208,484
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	12,989
Accrued salaries payable	154,260
Unearned revenue	<u>1,281</u>
Total Current Liabilities	168,530
Noncurrent Liabilities	
Net Pension liability	7,650,424
Net Health Care Trust Fund Liability	<u>174,703</u>
Total Noncurrent Liabilities	<u>7,825,127</u>
Total Liabilities	7,993,657
NET INFLOWS	456,200
<b>NET POSITION</b>	
Invested in capital assets	2,318,770
Restricted for TABOR	74,464
Unrestricted	<u>(3,673,804)</u>
Total Net Position	<u>(1,280,571)</u>

See auditor's report and notes to the financial statements.

## ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20

Flagler, Colorado

Statement of Activities

For the Year Ended June 30, 2018

Program Revenues

	<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>
Instructional	2,076,462	3,600	232,829	
Support Services				
Pupil services	49,116			
Instructional services	84,306			
General administration	247,653			
School administration	245,077			
Business services	123,521			
Operations & maintenance	293,983			27,526
Pupil transportation	221,163		34,325	
Other support services	43,442			
Noninstructional Services				
Non-Athletic	9,534			
Athletic programs	31,106			
Community services	0			
Debt Service	7,850			
Food Services	<u>179,894</u>	<u>39,903</u>	<u>74,001</u>	<u>0</u>
Total Governmental Activities	3,613,108	43,503	341,155	27,526

## General revenues:

## Taxes

Property taxes, levied for general purposes

Property taxes, levied for bond redemption

Specific ownership taxes

State Equalization

Miscellaneous

Investment earnings

Sale of assets

Total General Revenues

## Change in Net Position

Net Position - Beginning

Prior Year Adjustment (Note 3D)

Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Position

Governmental  
Activities

(1,840,033)

(49,116)

(84,306)

(247,653)

(245,077)

(123,521)

(266,457)

(186,838)

(43,442)

(9,534)

(31,106)

0

(7,850)

(65,990)

(3,200,924)

847,230

8,488

81,089

1,185,146

36,689

4,937

0

2,163,580

(1,037,344)

(68,849)

(174,378)

(1,280,571)

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<u>General</u>	NonMajor <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	1,794,455	99,077	1,893,532
Certificates of deposit	667,691	0	667,691
Accounts/Grants receivable	10,931	22,766	33,697
Inventory	0	9,820	9,820
Accrued property taxes receivable	<u>37,295</u>	<u>0</u>	<u>37,295</u>
Total Assets	<u>2,510,372</u>	<u>131,662</u>	<u>2,642,034</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	12,989	0	12,989
Accrued salaries payable	154,260	0	154,260
Unearned revenue	<u>0</u>	<u>1,281</u>	<u>1,281</u>
Total Liabilities	167,249	1,281	168,530
 Fund Balances			
Restricted for TABOR emergency reserve	74,464	0	74,464
Nonspendable	0	9,820	9,820
Committed for capital projects	0	113,920	113,920
Assigned	0	6,642	6,642
Unassigned	<u>2,268,659</u>	<u>0</u>	<u>2,268,659</u>
Total Fund Balances	<u>2,343,123</u>	<u>130,381</u>	<u>2,473,504</u>
 Total Liabilities and Fund Balances	 <u>2,510,372</u>	 <u>131,662</u>	 <u>2,642,034</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

Total Governmental Fund Balances	2,473,504
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,318,770
Deferred outflows of resources are not financial resources and thus are not reported as assets in government funds.	2,208,484
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds	(7,825,127)
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	<u>(456,200)</u>
Net Position of Governmental Activities	<u>(1,280,571)</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2018

	<u>General</u>	NonMajor <u>Funds</u>	Total Governmental <u>Funds</u>
<b>REVENUES</b>			
Local Sources			
Property taxes	847,230	8,488	855,718
Specific ownership taxes	67,192	13,898	81,089
Interest on investments	4,780	157	4,937
Charges for service	0	39,903	39,903
Other	60,273	0	60,273
State Sources			
Equalization	1,185,146	0	1,185,146
Vocational education	21,056	0	21,056
Transportation	34,325	0	34,325
BOCES	31,151	0	31,151
Other	99,596	30,057	129,653
Federal Sources	<u>61,041</u>	<u>71,470</u>	<u>132,511</u>
Total Revenues	2,411,791	163,973	2,575,764
<b>EXPENDITURES</b>			
Current			
Instruction	1,150,094	0	1,150,094
Pupils - health & guidance	49,116	0	49,116
Instructional staff - library	52,939	0	52,939
General administration	154,063	0	154,063
School administration	142,287	0	142,287
Business services	80,400	0	80,400
Operations & maintenance	229,843	0	229,843
Transportation	128,699	0	128,699
Other services	43,442	0	43,442
Food Service	0	130,796	130,796
Debt Service	0	171,700	171,700
Capital Outlay	<u>263,303</u>	<u>181,079</u>	<u>444,383</u>
Total Expenditures	<u>2,294,186</u>	<u>483,576</u>	<u>2,777,762</u>
Revenues over (under)			
Expenditures	117,605	(319,603)	(201,998)

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2018  
 (continued)

	<u>General</u>	<u>NonMajor Funds</u>	<u>Total Governmental Funds</u>
Other Financing Sources (Uses)			
Operating Transfers In (Out)	<u>(22,751)</u>	<u>22,751</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	94,854	(296,852)	(201,998)
Fund Balance - Beginning	<u>2,248,269</u>	<u>427,233</u>	<u>2,675,502</u>
Fund Balance - Ending	<u>2,343,123</u>	<u>130,381</u>	<u>2,473,504</u>

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund  
 Balances of Governmental Funds to the Statement of Activities

Net change in fund balances - total governmental funds (201,998)

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	423,883	
Depreciation expense	<u>(140,391)</u>	283,492

The issuance of long-term debt (e.g. bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Principal on debt	170,000	
Deferred outflows on defeased bonds	<u>(6,150)</u>	163,850

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expenses		(1,281,224)
Other post-employment benefit expenses		<u>(1,464)</u>

Change in net position of government activities		<u>(1,037,344)</u>
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ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Statement of Fiduciary Net Position  
Student Activity Agency Fund  
June 30, 2018

	Student Activity Fund
<b>ASSETS</b>	
Cash in bank	109,710
<b>LIABILITES</b>	
Due to student activities	<u>109,710</u>
<b>NET POSITION</b>	<u>0</u>

## Notes to the Financial Statements

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to the Financial Statements  
June 30, 2018

- (1) The district was formed pursuant to a majority vote of the residents of Arriba-Flagler School District R-1, Flagler, Colorado and Lincoln County School District RE-31, Arriba, Colorado. The district was formed as of August 22, 1984.
- (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The District is a political subdivision of the State of Colorado which is governed by an elected board of 5 members. A summary of the Arriba-Flagler Consolidated School District Number 20's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be a primary government because it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. It has no component units. Neither is it a component unit of any other entity.

This report includes all funds of Arriba-Flagler Consolidated School District Number 20.

B. Basis of Presentation

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule, the effect of interfund activity has been eliminated from these statements.

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

Fund financial statements are also provided in the report for all of the governmental funds, and the fiduciary funds of the district. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to Financial Statements  
June 30, 2018  
(continued)

The District reports the following major governmental funds:

The General Fund is the district's primary operating fund. It accounts for all financial resources except those required to be in another fund.

The Bond Redemption Fund is used to accumulate monies for bonds payable.

Additionally the district reports the Student Activity Agency Fund which accounts for cash held by the district for related organizations. It is custodial in nature and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific school district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets and Budgetary Accounting

All funds must have budgets to be allowed expenditures. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget Calendar -

Submission of a proposed budget to the Board of Education is due by May 31. On June 10, or within ten days after submission of the proposed budget, a notice shall be published stating the proposed budget is on file and available for inspection.

The last date for final adoption of the budget and appropriation resolution is June 30.

January 31 is last date to change adopted budget.

By December 15, the Board of Education certifies to County Commissioners the mill levy against the assessed valuation for the general and bond redemption funds.

The legal level of budgetary control is at the individual fund level.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to Financial Statements  
June 30, 2018  
(continued)

E. Encumbrances

Encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is not utilized by the District.

F. Assets, Liabilities, Fund Balances and Net Position

1. Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit funds in institutions who are members of the Federal Deposit Insurance Corporation to the extent that the deposit is insured or is secured by pledge of eligible collateral as required by CRS 11-10.5-107

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds".

Accounts receivable and property taxes receivables are shown at gross. Uncollectibles have not been material.

3. Inventories

The purchase method is used to account for inventories in the governmental funds. Under this method, inventories are recorded as expenditures when purchased.

A physical inventory was taken as of June 30, 2018 for the Food Services special revenue fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

Capital asset, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$2,500 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 fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	10-30
Buildings	10-50
Equipment	5-20
Vehicles	7-10

The District does not have any infrastructure assets.

#### 5. Compensated Absences

Employees are allowed 10 days per year, two of which may be personal, and 3 may be professional. Six (6) days may be accumulated per year to a maximum of 90 days. Employees who retire with between 15 and 19 years of service will be entitled to be paid at the rate of \$65 per day, those who retire with between 20 and 29 years will be paid at the rate of \$75, and those who retire with more than 30 years will be paid at the rate of \$85. These amounts will be paid at 1/3 each year for 3 years on June 15 of the year of retirement and the subsequent two years. The liability is not considered to be material.

#### 6. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities of statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Actual results could differ from those estimates.

#### 8. Fund Balances and Net Position

In the government-wide financial statements, net position are classified in the following categories;

Invested in Capital Assets, net of related debt– this category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding debt balances that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net position – indicates that portion of net position which has been legally segregated for specific purposes or is not available for appropriation

Unrestricted Net position – represents the amount which is not reserved for any purpose and is available for appropriation and expenditure in future periods.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

When both restricted and unrestricted funds are available, restricted are deemed first spent.

In the fund financial statements, fund balances of governmental funds are classified in the following categories;

Nonspendable – amounts that cannot be spent because they are either in not spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of a permanent fund which is required to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

Restricted – when constraints placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can be only used for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

Assigned – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or the Superintendent who has been delegated the authority to assign amounts to be used for specific purposes.

Unassigned – the residual for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

When committed, assigned, or unassigned funds are available, committed is first spent, then assigned.

At June 30, 2018 the amounts restricted was \$74,464 for the TABOR Reserve and the amount unassigned was \$2,268,695. Within the governmental fund financial statements, amounts committed include \$113,920 for capital projects; the amount nonspendable for food service is \$9,820; and the amount assigned for food service is \$6,642.

### (3) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance. In November 1997, voters of the District approved a ballot issue which allows the District to collect, retain, and expend revenues from all sources, without limit.
- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.
- C. Expenditures in the Capital Project Fund of \$181,079 exceeds the budget amount of \$164,937. This may be a violation of the State Budget Laws.
- D. For the fiscal year ended June 30, 2018, the District implemented GASB 75, reporting for Other Post-Employment Benefits (OPEB) associated with the PERA Health Care Trust Fund (HCTF). As a result, a prior year adjustment was required that included the amount \$179,954 of net HCTF liability for the District as computed by HCTF, less the amount the District submitted to HCTF of \$5,576 after HCTF's year end. The net prior year adjustment is \$174,378.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

- E. On March 27, 2018 the District purchased a house to provide daycare services to the community. The District then entered into a lease agreement with an unrelated party to operate the daycare, which commenced in June 2018 and expires June 2019. The lease agreement has a stated rental rate of \$1 per month.

(4) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A. Deposits and Investments - all are in a single financial institution and carried at cost. Deposits are displayed on the balance sheets as "Cash in Bank" and "Certificates of Deposit".

The Colorado Public Deposit Protection Act (PDPA) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The Colorado Division of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk - the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk.

At June 30, 2018, the District's cash deposits had a bank balance and carrying balance as follows:

	<u>Bank Balance</u>	<u>Carrying Balance</u>
Insured (FDIC) \$500,000	\$ 500,000	500,000
Deposits uncollateralized in a single institution pool	2,201,279	2,170,733
Cash on Hand	<u>0</u>	<u>200</u>
Total Deposits	2,701,279	2,670,933
Shown as Certificates in Deposit		(667,691)
In Agency Fund		<u>(109,710)</u>
Cash		1,893,532

As presented above, deposits with a bank balance of \$2,201,279 and a carrying balance of \$2,170,733 as of June 30, 2018, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

- B. Accrued Property Taxes Receivable - the amount budgeted for the current year, not yet collected.

Property Tax Calendar - taxes are levied by December 15, tax bills are mailed January 1 of the following year, creating an enforceable lien on the property. If paid by installments of one-half each, the first is due February 28, the second June 15. If paid in one payment, the due date is April 30. Taxes are delinquent if not paid by those dates. Notice of delinquencies are mailed in September, and tax sales scheduled for November.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

## C. Changes in General Fixed Assets

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Sites	85,170	0	0	85,170
Site Improvements	198,395	25,000	0	223,395
Buildings	3,517,892	169,902	0	3,687,794
Equipment	503,547	125,401	0	628,948
Transportion	<u>338,284</u>	<u>103,580</u>	<u>0</u>	<u>441,864</u>
Total	4,643,288	423,883	0	5,067,171
Less Accumulated Depreciation				
Site Improvements	96,310	6,354	0	102,664
Buildings	1,912,921	81,640	0	1,994,561
Equipment	325,260	32,678	0	357,938
Transportion	<u>273,519</u>	<u>19,719</u>	<u>0</u>	<u>293,238</u>
Total	<u>2,608,010</u>	<u>140,391</u>	<u>0</u>	<u>2,748,401</u>
Government Activities				
Capital Assets, Net	<u>2,035,278</u>	<u>283,492</u>	<u>0</u>	<u>2,318,770</u>

Depreciation expense for the governmental activities was allocated \$115,223 to Instruction, \$19,719 to Transportation, and \$5,449 to food service.

## D. Changes in Noncurrent Liabilities

	Balance <u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30</u>
Bonds Payable	170,000	0	(170,000)	0
Net Health Care Trust				
Fund Liability	179,954	14,516	(19,767)	174,703
Net Pension Liability	<u>7,270,239</u>	<u>1,605,790</u>	<u>(1,225,605)</u>	<u>7,650,424</u>
Total	7,620,193	1,620,306	(1,415,372)	7,825,127

On January 15, 2000 the District issued \$1,500,000 of general obligation bonds for the construction of classrooms, renovations to the existing building, and to pay off existing lease purchase agreements. Interest is payable on June 1 and December 1 commencing June 1, 2000. Principal is due on December 1 of each year beginning December 1, 2000.

On June 1, 2005, the District issued \$1,065,000 of general obligation bonds with an average interest rate of 3.9152% to advance refund \$955,000 of the \$1,275,000 outstanding 2000 Series bonds with an average interest rate of 5.67%. The net proceeds of \$1,034,100 (after receiving a premium of \$2,928 and payment of \$28,907 in underwriting fees, insurance, and other issuance costs) were used to purchase U S government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 2000 Series bonds. As a result, \$955,000 of the 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net position. The amount due in 2018 was \$170,000 resulting in a new outstanding balance of \$0.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

E. Deferred Outflows of Resources

Deferred Amounts on Refunded Bonds - Governmental Activities

Balance			Balance
<u>July 1</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30</u>
6,150	0	(6,150)	0

(5) OTHER INFORMATION

- A. Risk Management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined Colorado School District Self Insurance Pool (CSDSIP), a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays an annual premium to CSDSIP for its property and casualty and workers' compensation insurance coverage. The intergovernmental agreement of formation of CSDSIP provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

The District carries commercial insurance for all risks or loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. Transfers - The General Fund transferred \$6,000 to the Food Service fund and \$216,200 to the Capital Projects Fund. The Bond Fund transferred \$199,450 to the General Fund.
- D. Defined Benefit Pension Plan

**Summary of Significant Accounting Policies**

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
Flagler, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

### General Information about the Pension Plan

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

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent 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 percent 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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Notes to the Financial Statements  
 June 30, 2018  
 (continued)

*Contributions provisions as June 30, 2018:* Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate <sup>1</sup>	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.50%
<b>Total employer contribution rate to the SCHDTF<sup>1</sup></b>	<b>18.63%</b>	<b>19.13%</b>

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$209,277 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$7,650,424 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0236588271 percent, which was a decrease of 0.0007593619 from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018 the District recognized pension expense of \$1,281,224. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	140,659	-0-
Changes of assumptions or other inputs	1,953,437	12,396
Net difference between projected and actual earnings on pension plan investments	-0-	300,439
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	135,653
Contributions subsequent to the measurement date	107,813	N/A
Total	2,201,909	448,488

There is \$107,813 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, which 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 ended June 30:	
2019	(75,104)
2020	(43,311)
2021	(17,237)
2022	-0-
2023	-0-
Thereafter	-0-

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	9,663,786	7,650,424	6,009,763

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

### **Payables to the pension plan**

#### **Changes between the measurement date of the net pension liability and June 30, 2018.**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$7,650,424 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 3,456,395

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$3,456,395 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

E. Other Post-Employment Benefits

Health Care Trust Fund

**Summary of Significant Accounting Policies**

*OPEB.* The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund 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 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.

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### **General Information about the OPEB Plan**

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

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

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

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

#### *PERA Benefit Structure*

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

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.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$11,304 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$174,703 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017.

The District's proportion of the net OPEB liability was based on Districts contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0134428456 percent, which was a decrease of 0.0004367367 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$1,464. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	826	-0-
Changes of assumptions or other inputs	-0-	-0-
Net difference between projected and actual earnings on OPEB plan investments	-0-	2,923
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	4,790
Contributions subsequent to the measurement date	5,749	N/A
Total	6,575	7,712

There is \$5,749 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	(941)
2020	(941)
2021	(941)
2022	(941)
2023	(941)
Thereafter	(85)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
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.

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

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

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

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.

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- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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%.

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*Sensitivity of the District'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	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	169,896	174,703	180,493

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Notes to the Financial Statements  
 June 30, 2018  
 (continued)

*Sensitivity of the District'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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	196,421	174,703	156,166

*OPEB plan fiduciary net position.* Detailed information about the 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](http://www.copera.org/investments/pera-financial-reports).

- F. Joint Venture - The District participates in the East Central Board of Cooperative Educational Services which is not reflected in these financial statements. One member of the board is from the District. The Board has final authority for all budgeting and financing of the joint venture.

Each member pays a \$2500 membership fee and then contributes additional monies in the relationship their student enrollment is to the total enrollment of all the members.

At June 30, 2017, total assets were \$2,759,621, total deferred outflows of resources were \$6,370,494, total liabilities were \$17,087,255, total deferred inflows of resources were \$423,405, total net position was (\$8,380,545), revenues were \$8,591,775, and expenses were \$10,871,227.

Complete financial statements may be obtained from BOCES office at 820 Second Street, Limon, CO 80828.

REQUIRED SUPPLEMENTARY INFORMATION

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Budgetary Comparison Schedule - Major Governmental Funds  
 For the Year Ended June 30, 2018  
 General Fund

	<u>Budgeted Amounts</u>			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive <u>(Negative)</u>
<b>REVENUES</b>				
Local sources	865,763	865,763	979,475	113,712
State Sources	2,294,093	2,294,093	1,371,275	(922,818)
Federal Sources	<u>50,629</u>	<u>50,629</u>	<u>61,041</u>	<u>10,412</u>
Total Revenues	3,210,485	3,210,485	2,411,791	(798,694)
<b>EXPENDITURES</b>				
Current				
Instruction	1,259,289	1,259,289	1,150,094	109,194
Supporting Services				
Pupils	50,009	50,009	49,116	893
Instructional staff - library	73,039	73,039	52,939	20,100
General administration	157,214	157,214	154,063	3,151
School administration	139,315	139,315	142,287	(2,972)
Business services	86,127	86,127	80,400	5,727
Operations & maintenance	284,592	284,592	229,843	54,749
Pupil transportation	174,617	174,617	128,699	45,918
Other services	63,100	63,100	43,442	19,658
Appropriated Reserves	2,897,424	2,897,424	0	2,897,424
Capital Outlay	<u>206,383</u>	<u>206,383</u>	<u>263,303</u>	<u>(56,920)</u>
Total Expenditures	<u>5,391,109</u>	<u>5,391,109</u>	<u>2,294,186</u>	<u>3,096,923</u>
Excess of Revenues Over (Under)				
Expenditures	(2,180,624)	(2,180,624)	117,605	2,298,229
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(22,751)</u>	<u>9,250</u>
Excess of Revenues and Other Sources over				
(under) Expenditures & Other Uses	(2,212,624)	(2,212,624)	94,854	2,307,478
Fund Balance - Beginning	<u>2,212,624</u>	<u>2,212,624</u>	<u>2,248,269</u>	<u>35,645</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>2,343,123</u>	<u>2,343,123</u>

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ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Schedule of District's Proportionate Share of the Net Pension Liability-PERA School Division Trust Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.023659%	0.024418%	0.025789%	0.025789%	0.026747%
Proportionate share of the collective net pension liability	7,650,424	7,270,239	3,744,815	3,495,286	3,321,618
Covered payroll	1,091,353	1,095,931	1,075,771	1,080,488	1,074,835
Proportionate share of the net pension liability as a percentage of its covered employee payroll	701.00%	663.38%	348.11%	323.49%	309.04%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.80%	64.06%

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2013; additional years will be displayed as they become available.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Schedule of Contributions and Related Ratios-PERA School Division Trust Fund  
 Last 10 Fiscal Years

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contributions	209,277	199,463	190,892	182,737	172,266	159,389	157,884	140,525	140,895	132,067
Contributions in relation to the statutorily required contribution	<u>209,277</u>	<u>199,463</u>	<u>190,892</u>	<u>182,737</u>	<u>172,266</u>	<u>159,389</u>	<u>157,884</u>	<u>140,525</u>	<u>140,895</u>	<u>132,067</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	1,108,209	1,085,102	1,075,771	1,082,153	1,077,537	1,055,974	992,622	1,057,423	1,137,712	1,148,983
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.74%	16.89%	15.99%	15.09%	15.91%	13.29%	12.38%	11.49%

Note 1: Information above is presented as of the District's fiscal year.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Schedule of District's Proportionate Share of the Other Post-Employment Benefit  
 Liability-Health Care Trust Fund

	<u>2017</u>	<u>2016</u>
Proportion (percentage) of the collective net pension liability	0.0134428456%	0.0138795823%
Proportionate share of the collective net pension liability	174,703	179,954
Covered payroll	1,091,353	1,095,931
Proportionate share of the net pension liability as a percentage of its covered employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	N/A

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2016; additional years will be displayed as they become available

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Schedule of Contributions and Related Ratios-Health Care Trust Fund

As of June 30,	<u>2018</u>	<u>2017</u>
Statutorily required contributions	11,304	11,068
Contributions in relation to the statutorily required contribution	<u>11,304</u>	<u>11,068</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered-employee payroll	1,108,209	1,085,102
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

Note 1: Information above is presented as of the District's fiscal year.

Note 2: Information is not currently available for years prior to 2017; additional years will be displayed as they become available.



## OTHER INFORMATION

## COMBINING FUND STATEMENTS

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Combining Balance Sheet  
 NonMajor Governmental Funds  
 June 30, 2018

	<u>Food Service Special Revenue</u>	<u>Capital Projects</u>	<u>Bond Redemption</u>	<u>Total</u>
<b>ASSETS</b>				
Cash	7,923	91,154	0	99,077
Grants Receivable	0	22,766	0	22,766
Inventory	<u>9,820</u>	<u>0</u>	<u>0</u>	<u>9,820</u>
Total Assets	<u>17,742</u>	<u>113,920</u>	<u>0</u>	<u>131,662</u>
Unearned revenue	1,281	0	0	1,281
 <b>FUND BALANCE</b>				
Committed for capital projects	0	113,920	0	113,920
Nonspendable	9,820	0	0	9,820
Assigned	<u>6,642</u>	<u>0</u>	<u>0</u>	<u>6,642</u>
Total Fund Balance	<u>16,461</u>	<u>113,920</u>	<u>0</u>	<u>130,381</u>
 <b>TOTAL LIABILITIES AND FUND BALANCE</b>				
	<u>17,742</u>	<u>113,920</u>	<u>0</u>	<u>131,662</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Combining Statement of Revenues, Expenditures, and Changes in Fund Balance  
 NonMajor Governmental Funds  
 June 30, 2018

	<u>Food Service Special Revenue</u>	<u>Capital Projects</u>	<u>Bond Redemption</u>	<u>Total</u>
<b>REVENUES</b>				
Local				
Property Taxes	0	0	8,488	8,488
Specific Ownership Taxes	0	0	13,898	13,898
Charges for service	39,903	0	0	39,903
Interest income	10	22	125	157
State Sources	2,531	27,526	0	30,057
Federal Sources	<u>71,470</u>	<u>0</u>	<u>0</u>	<u>71,470</u>
Total Revenues	113,914	27,548	22,511	163,973
<b>EXPENDITURES</b>				
Current				
Food service	130,796	0	0	130,796
Debt Service	0	0	171,700	171,700
Capital Outlay	<u>0</u>	<u>181,079</u>	<u>0</u>	<u>181,079</u>
Total Expenditures	<u>130,796</u>	<u>181,079</u>	<u>171,700</u>	<u>483,576</u>
Excess of Revenues over (under) Expenditures	(16,882)	(153,532)	(149,189)	(319,603)
Other Financing Sources (Uses)				
Operating Transfers In	<u>6,000</u>	<u>216,200</u>	<u>(199,450)</u>	<u>22,751</u>
Excess of Revenue and Other Sources over (under) Expenditures and Other Uses	(10,882)	62,668	(348,639)	(296,852)
Fund Balance - Beginning	<u>27,343</u>	<u>51,251</u>	<u>348,639</u>	<u>427,233</u>
Fund Balance - Ending	<u>16,461</u>	<u>113,920</u>	<u>0</u>	<u>130,381</u>

INDIVIDUAL FUND STATEMENTS

## GENERAL FUND

The General Fund is used to account for resources traditionally associated with government which are not required legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operation.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 General Fund  
 Comparative Balance Sheet

ASSETS	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Cash			
On hand	200	200	0
In bank	1,788,149	1,409,819	378,330
With County Treasurer	6,106	68,262	(62,156)
Certificate of Deposit	<u>667,691</u>	<u>863,746</u>	<u>(196,054)</u>
Total Cash	2,462,146	2,342,026	120,120
Accounts/Grants Receivable	10,931	14,377	(3,445)
Accrued Property Tax Receivable	<u>37,295</u>	<u>53,330</u>	<u>(16,036)</u>
Total Assets	<u>2,510,372</u>	<u>2,409,733</u>	<u>100,639</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	5,379	8,583	(3,204)
Intergovernmental payable	7,610	0	7,610
Accrued salaries & benefits payable	<u>154,260</u>	<u>152,882</u>	<u>1,378</u>
Total Liabilities	167,249	161,464	5,785
Fund Balance			
Restricted for TABOR	74,464	70,160	4,304
Unassigned	<u>2,268,659</u>	<u>2,178,108</u>	<u>90,550</u>
Total Fund Balance	<u>2,343,123</u>	<u>2,248,269</u>	<u>94,854</u>
Total Liabilities and Fund Balance	<u>2,510,372</u>	<u>2,409,733</u>	<u>100,639</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 General Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>LOCAL SOURCES</b>				
Property Taxes	757,968	843,944	85,976	752,053
Specific ownership taxes	74,388	67,192	(7,196)	73,934
Delinquent taxes & interest	3,000	3,287	287	2,432
Interest on investments	2,000	4,780	2,780	2,319
Other	<u>28,407</u>	<u>60,273</u>	<u>31,866</u>	<u>252,439</u>
Total Local Sources	865,763	979,475	113,712	1,083,177
<b>STATE SOURCES</b>				
Equalization	2,181,579	1,185,146	(996,433)	1,292,953
Transportation	45,000	34,325	(10,676)	49,363
Vocational education	10,000	21,056	11,056	30,780
BOCES flowthrough	34,540	31,151	(3,389)	50,470
Other grants	<u>22,974</u>	<u>99,596</u>	<u>76,622</u>	<u>31,786</u>
Total State Sources	2,294,093	1,371,275	(922,818)	1,455,353
<b>FEDERAL SOURCES</b>				
Grants	17,994	27,798	9,804	14,686
BOCES flowthrough	<u>32,635</u>	<u>33,243</u>	<u>608</u>	<u>36,890</u>
Total Federal Sources	<u>50,629</u>	<u>61,041</u>	<u>10,412</u>	<u>51,576</u>
<b>Total Revenues</b>	3,210,485	2,411,791	(798,694)	2,590,106
<b>Expenditures</b>	<u>5,391,109</u>	<u>2,294,186</u>	<u>3,096,923</u>	<u>2,148,854</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	(2,180,624)	117,605	2,298,229	441,252
<b>Other Financing Uses</b>				
Operating Transfers In (Out)	<u>(32,000)</u>	<u>(22,751)</u>	<u>9,250</u>	<u>(32,000)</u>
<b>Excess of Revenues Over (Under) Expenditures &amp; Other Uses</b>	(2,212,624)	94,854	2,307,478	409,252
<b>Fund Balance - Beginning</b>	<u>2,212,624</u>	<u>2,248,269</u>	<u>35,645</u>	<u>1,839,017</u>
<b>Fund Balance - Ending</b>	<u>0</u>	<u>2,343,123</u>	<u>2,343,123</u>	<u>2,248,269</u>

See auditor's report and notes to the financial statements.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 General Fund  
 Statement of Expenditures  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>INSTRUCTION</b>				
Current				
Salaries	768,473	766,382	2,091	769,138
Employee benefit	288,836	274,861	13,975	268,374
Purchased services	87,002	68,056	18,946	77,453
Supplies & expenses	97,431	29,574	67,857	42,245
Other	17,547	11,221	6,326	10,959
Capital Outlay	<u>96,133</u>	<u>133,289</u>	<u>(37,156)</u>	<u>108,328</u>
Total Instruction	1,355,422	1,283,383	72,039	1,276,497
<b>SUPPORTING SERVICES</b>				
Pupils-Health & Guidance				
Current				
Purchased services	49,009	48,733	276	35,738
Supplies & expenses	700	383	317	235
Other	<u>300</u>	<u>0</u>	<u>300</u>	<u>53</u>
Total Pupils	50,009	49,116	893	36,025
Instructional Staff-Library				
Current				
Salaries	33,775	29,280	4,495	29,598
Employee benefits	13,914	12,225	1,689	11,815
Purchased services	22,150	9,940	12,210	16,336
Supplies & expenses	<u>3,200</u>	<u>1,494</u>	<u>1,706</u>	<u>2,194</u>
Total Instructional Staff	73,039	52,939	20,100	59,943
General Administration				
Current				
Salaries	84,000	87,362	(3,362)	86,031
Employee benefits	26,384	26,009	375	23,870
Purchased services	38,705	29,914	8,791	31,140
Supplies & expenses	3,025	2,404	621	1,609
Other expenses	<u>5,100</u>	<u>8,373</u>	<u>(3,273)</u>	<u>3,830</u>
Total General Administration	157,214	154,063	3,151	146,479

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 General Fund  
 Statement of Expenditures  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
School Administration				
Current				
Salaries	90,433	95,950	(5,517)	88,122
Employee benefits	32,547	33,682	(1,135)	32,398
Purchased services	3,550	1,933	1,617	2,519
Supplies & expenses	12,785	10,721	2,064	2,746
Other expenses	<u>0</u>	<u>0</u>	<u>0</u>	<u>180</u>
Total School Administration	139,315	142,287	(2,972)	125,964
Business Services				
Current				
Salaries	39,250	40,252	(1,002)	38,454
Employee benefits	15,065	13,273	1,792	12,007
Purchased services	26,812	25,801	1,011	23,770
Supplies & expenses	<u>5,000</u>	<u>1,074</u>	<u>3,926</u>	<u>556</u>
Total Business Services	86,127	80,400	5,727	74,787
Operations & Maintenance				
Current				
Salaries	75,500	69,455	6,045	68,189
Employee benefits	31,503	29,336	2,167	28,070
Purchased services	76,944	51,065	25,879	48,917
Supplies & expenses	100,645	79,987	20,658	84,000
Capital Outlay	<u>6,250</u>	<u>14,735</u>	<u>(8,485)</u>	<u>10,727</u>
Total Operations & Maintenance	290,842	244,578	46,264	239,903
Pupil Transportation				
Current				
Salaries	77,300	67,904	9,396	72,208
Employee benefits	21,204	18,922	2,282	19,007
Purchased services	17,113	14,125	2,988	14,689
Supplies & expenses	59,000	36,427	22,573	36,915
Other expenses	0	(8,680)	8,680	(8,536)
Capital Outlay	<u>104,000</u>	<u>103,580</u>	<u>420</u>	<u>0</u>
Total Transportation	278,617	232,279	46,338	134,282

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 General Fund  
 Statement of Expenditures  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior <u>Year</u>
Other Services				
Purchased services	63,100	43,442	19,658	54,972
Total Supporting Services	1,138,263	999,103	139,160	872,356
FACILITIES ACQUISITION				
Capital Outlay	0	11,700	(11,700)	0
Appropriated Reserves	2,897,424	0	2,897,424	0
Total Expenditures	<u>5,391,109</u>	<u>2,294,186</u>	<u>3,096,923</u>	<u>2,148,854</u>

## SPECIAL REVENUE FUNDS

Food Service Fund - to account for the revenue and expenditures with providing hot meals to students, teachers, and visitors.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Food Services Special Revenue Fund  
 Comparative Balance Sheet

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Cash in bank	7,923	21,300	(13,377)
Inventory	<u>9,820</u>	<u>7,546</u>	<u>2,274</u>
Total Assets	<u>17,742</u>	<u>28,846</u>	<u>(11,103)</u>
 <b>LIABILITIES AND FUND BALANCE</b>			
Current Liabilities			
Unearned Revenue	1,281	1,503	(221)
Fund Balance			
Nonspendable	9,820	7,546	2,274
Assigned	<u>6,642</u>	<u>19,797</u>	<u>(13,156)</u>
Total Fund Balance	<u>16,461</u>	<u>27,343</u>	<u>(10,882)</u>
Total Liabilities and Fund Balance	<u>17,742</u>	<u>28,846</u>	<u>(11,103)</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Food Services Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Charges for Service				
Food sales	39,000	39,903	903	39,426
Interest income	5	10	5	8
State Grants	2,100	2,531	431	2,523
Federal Aid				
Federal Grants	0	0	0	39,092
Lunches	65,000	65,230	230	77,948
Donated commodities	<u>0</u>	<u>6,240</u>	<u>6,240</u>	<u>6,482</u>
Total Revenues	106,105	113,914	7,809	165,480
<b>EXPENDITURES</b>				
Salaries	36,500	40,744	(4,244)	33,643
Benefits	21,054	19,959	1,095	15,392
Food & Milk	73,000	67,498	5,502	76,075
Purchased Services	0	1,108	(1,108)	1,311
Supplies	0	1,487	(1,487)	525
Equipment	0	0	0	39,092
Contingency Reserve	<u>14,894</u>	<u>0</u>	<u>14,894</u>	<u>0</u>
Total Expenses	<u>145,448</u>	<u>130,796</u>	<u>14,652</u>	<u>166,038</u>
Excess Revenues Over (Under) Expenditures	(39,343)	(16,882)	22,461	(558)
Other Sources				
Operating transfers in	<u>12,000</u>	<u>6,000</u>	<u>(6,000)</u>	<u>12,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(27,343)	(10,882)	16,461	11,442
Fund Balance - Beginning	<u>27,343</u>	<u>27,343</u>	<u>0</u>	<u>15,901</u>
Fund Balance - Ending	<u>0</u>	<u>16,461</u>	<u>16,461</u>	<u>27,343</u>

See auditor's report and notes to the financial statements.



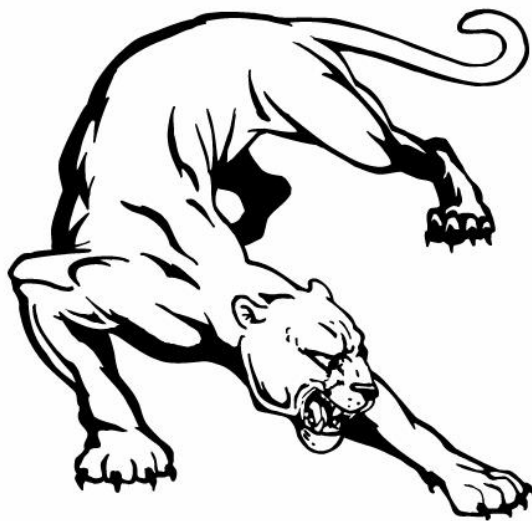
## DEBT SERVICE FUND

Bond Redemption Fund - to account for payment of principle and interest on bonds issued January 15, 2005 and 2015. Financing is provided by a specific annual property tax levy.



ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Bond Redemption Debt Service Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Property Taxes	40,300	8,488	(31,812)	213,008
Specific Ownership	3,000	13,898	10,898	21,300
Interest Income	<u>0</u>	<u>125</u>	<u>125</u>	<u>128</u>
Total Revenues	43,300	22,511	(20,789)	234,435
<b>EXPENDITURES</b>				
Debt Service				
Bond principal	340,000	170,000	170,000	255,000
Bond interest	<u>8,641</u>	<u>1,700</u>	<u>6,941</u>	<u>6,888</u>
Total Debt Service	348,641	171,700	176,941	261,888
Other				
Paying agent fees	0	0	0	438
Appropriated Reserves	<u>43,298</u>	<u>0</u>	<u>43,298</u>	<u>0</u>
Total Expenditures	<u>391,939</u>	<u>171,700</u>	<u>220,239</u>	<u>262,325</u>
Excess of Revenues Over (Under) Expenditures	(348,639)	(149,189)	199,450	(27,890)
Other Financing Uses				
Equity Transfer Out	<u>0</u>	<u>(199,450)</u>	<u>(199,450)</u>	<u>0</u>
Excess of Revenues Over (Under) Expenditures & Other Uses	(348,639)	(348,639)	0	(27,890)
Fund Balance - Beginning	<u>348,639</u>	<u>348,639</u>	<u>0</u>	<u>376,529</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>0</u>	<u>348,639</u>



## CAPITAL PROJECTS FUND

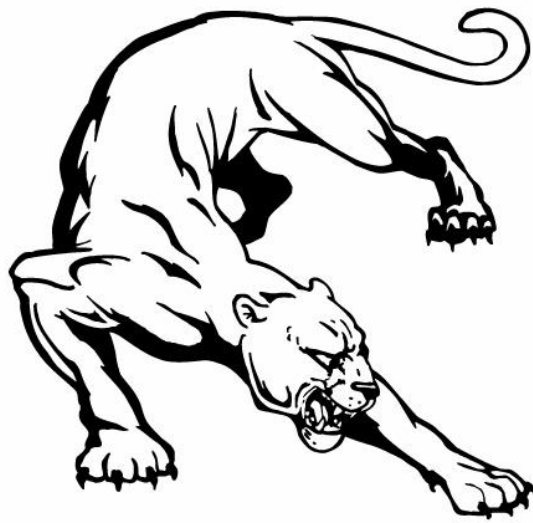
Capital Reserve Funds - to account for acquisition of land or improvements and construction of structures thereon, or acquisition of land with existing structures thereon and equipment and furnishing therein; construction of additions to existing structures; procurement of equipment for new buildings and additions to existing buildings and installation thereof; alterations and improvements to existing structures, where the estimated cost of such projects for labor and materials is in excess of two thousand five hundred dollars; installment purchase agreements or lease agreements with an option to purchase for a period not to exceed twenty years under which a school district becomes entitled to the use of real property and related equipment for a school site, building, or structure. Also allowed are lease agreements with option to purchase for a period of one year or less, including lease agreements consisting of a series of one-year terms renewable at the option of the district. Financing is provided by an allocation from the General fund.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Capital Reserve Capital Projects Fund  
 Comparative Balance Sheet

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
ASSETS			
Cash in Bank	91,154	51,251	39,903
Grants Receivable	<u>22,766</u>	<u>0</u>	<u>22,766</u>
Total Assets	<u>113,920</u>	<u>51,251</u>	<u>62,668</u>
COMMITTED FUND BALANCE	<u>113,920</u>	<u>51,251</u>	<u>62,668</u>

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Capital Reserve Capital Projects Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Local Sources				
Interest income	50	22	(28)	28
State Sources				
BEST grant	<u>93,636</u>	<u>27,526</u>	<u>(66,110)</u>	<u>580</u>
Total Revenues	93,686	27,548	(66,138)	608
<b>EXPENDITURES</b>				
Current				
Repairs	0	0	0	16,083
Capital Outlay	84,065	181,079	(97,014)	64,781
Appropriated Reserve	<u>80,872</u>	<u>0</u>	<u>80,872</u>	<u>0</u>
Total Expenditures	<u>164,937</u>	<u>181,079</u>	<u>(16,142)</u>	<u>80,864</u>
Excess of Revenues Over (Under) Expenditures	(71,251)	(153,532)	(82,281)	(80,256)
Other Financing Sources (Uses)				
Operating transfers in (out)	<u>20,000</u>	<u>216,200</u>	<u>196,200</u>	<u>20,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures	(51,251)	62,668	113,919	(60,256)
Fund Balance - Beginning	<u>51,251</u>	<u>51,251</u>	<u>0</u>	<u>111,507</u>
Fund Balance - Ending	<u>0</u>	<u>113,920</u>	<u>113,920</u>	<u>51,251</u>



**AGENCY FUND**

Student Activity Fund - to act as custodian for the classes and activities of the District.

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Net Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2018

	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
Athletics Mileage	0	0	1,289	(1,289)
Athletics Football	0	1,107	690	417
Athletics Volleyball	0	3,240	683	2,557
Athletics Basketball	0	3,406	3,517	(111)
Athletic Track	0	0	60	(60)
Athletics	2,068	3,280	3,890	1,458
Athletic Uniform	0	16,136	5,732	10,404
Girls Basketball	1,528	0	1,058	470
Volleyball Team	3,507	4,223	5,863	1,867
Boys Basketball	1,865	0	2,104	(239)
Boys Football	1,701	906	947	1,660
State Tournaments	(157)	28	0	(128)
Jr High Fund Raiser	224	0	0	224
Activity Tickets	0	3,265	40	3,225
Adult Activity Tickets	0	890	890	0
Class of 2017	1,892	0	0	1,892
Class of 2018	9,903	5,038	14,345	597
Class of 2019	8,563	5,898	4,957	9,505
Class of 2020	1,403	893	537	1,760
Class of 2021	1,915	1,195	368	2,742
Class of 2022	20	855	26	849
Class of 2023	0	1,905	1,003	902
Sophomore Concessions	0	7,429	3,403	4,026
Education Association	2,077	430	1,057	1,450
F Club	6,275	896	1,330	5,841
FFA	11,979	35,139	42,961	4,156
FFA Scholarship	4,275	2,179	1,234	5,220
Student Council	2,078	5,165	5,509	1,734
FBLA	6,800	5,982	6,028	6,755
Edna S Memorial Scholarship	2,194	6,128	1,907	6,415
National Honor Society	726	691	559	858
Instructional	5,410	4,059	2,659	6,810
Annual	3,786	3,165	2,985	3,966
Miscellaneous	824	21,030	25,313	(3,459)

ARRIBA-FLAGLER CONSOLIDATED SCHOOL DISTRICT NUMBER 20  
 Flagler, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Net Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2018  
 (continued)

	<u>July 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30</u>
Music	279	0	0	279
Summer Withholding	1,947	1,101	1,383	1,665
Pool Fund	2,438	0	0	2,438
Estate fund for Underprivileged	6,871	0	0	6,871
Flower Fund	369	272	127	513
Parent Involvement	36	0	0	36
Community Calendar	0	3,194	3,194	0
Ag Memorial Lance	2,085	0	0	2,085
James McDonald Memorial Scholarship	2,520	0	750	1,770
Preschool	2,732	1,626	2,868	1,490
Thunder Volleyball	0	1,161	0	1,161
Thunder Boys Basketball	0	2,630	141	2,489
Thunder Girls Basketball	<u>0</u>	<u>6,536</u>	<u>100</u>	<u>6,436</u>
Total	100,135	161,078	151,504	109,710
 Budget	 <u>100,135</u>	 <u>150,000</u>	 <u>250,135</u>	 <u>0</u>
 Variance - Favorable (Unfavorable)	 <u>0</u>	 <u>11,078</u>	 <u>98,631</u>	 <u>109,710</u>

AUDITOR'S INTEGRITY REPORT



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1450 - ARRIBA-FLAGLER C-20  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>							
10 General Fund	2,248,269		2,351,258		2,256,403		2,343,123
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		37,783		37,783		0
<b>Sub-Total</b>	<b>2,248,269</b>		<b>2,389,041</b>		<b>2,294,186</b>		<b>2,343,123</b>
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	27,343		119,914		130,796		16,461
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	348,639		-176,939		171,700		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	51,251		243,748		181,079		113,920
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>2,675,502</b>		<b>2,575,764</b>		<b>2,777,762</b>		<b>2,473,504</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	100,135		161,078		151,504		109,710
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>100,135</b>		<b>161,078</b>		<b>151,504</b>		<b>109,710</b>
			<b>FINAL</b>				
<b>Totals</b>	<b>100,135</b>		<b>161,078</b>		<b>151,504</b>		<b>109,710</b>