

**CRIPPLE CREEK - VICTOR SCHOOL  
DISTRICT RE-1**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended June 30, 2018

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**TABLE OF CONTENTS**  
**JUNE 30, 2018**

|                                                                                                                                              | <b>PAGE</b> |
|----------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| INDEPENDENT AUDITORS' REPORT                                                                                                                 |             |
| MANAGEMENT'S DISCUSSION AND ANALYSIS                                                                                                         | <i>i</i>    |
| BASIC FINANCIAL STATEMENTS                                                                                                                   |             |
| Government-wide Financial Statements                                                                                                         |             |
| Statement of Net Position                                                                                                                    | 1           |
| Statement of Activities                                                                                                                      | 2           |
| Fund Financial Statements                                                                                                                    |             |
| Balance Sheet—Governmental Funds                                                                                                             | 3           |
| Reconciliation of the Governmental Funds Balance Sheet<br>to the Statement of Net Position                                                   | 4           |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances—Governmental Funds                                                      | 5           |
| Reconciliation of the Governmental Funds Statement of Revenues,<br>Expenditures, and Changes in Fund Balances to the Statement of Activities | 6           |
| Statement of Net Position—Fiduciary Fund                                                                                                     | 7           |
| Statement of Changes in Fiduciary Net Position—Fiduciary Fund                                                                                | 8           |
| Notes to Financial Statements                                                                                                                | 9           |
| REQUIRED SUPPLEMENTARY INFORMATION                                                                                                           |             |
| Schedule of District's Share of the Net Pension Liability                                                                                    | 44          |
| Schedule of District's Payroll Contributions – Pension                                                                                       | 45          |
| Schedule of District's Share of the Net OPEB Liability                                                                                       | 46          |
| Schedule of District's Payroll Contributions – OPEB                                                                                          | 47          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget<br>and Actual – General Fund                                      | 48          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget<br>and Actual – Governmental Designated-Purpose Grants Fund       | 49          |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget<br>and Actual – Head Start Fund                                   | 50          |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**TABLE OF CONTENTS**  
**JUNE 30, 2018**

| COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES                                                                                                                                                    | PAGE |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| <i>Bond Redemption Fund:</i>                                                                                                                                                                              |      |
| Schedule of Revenues, Expenditures, and Changes in Fund Balances—<br>Budget and Actual                                                                                                                    | 51   |
| <i>Non-major Governmental Funds:</i>                                                                                                                                                                      |      |
| Combining Balance Sheet                                                                                                                                                                                   | 52   |
| Combining Statement of Revenues, Expenditures and Changes<br>in Fund Balances                                                                                                                             | 53   |
| Schedule of Revenues, Expenditures, and Changes<br>in Fund Balances—Budget and Actual                                                                                                                     |      |
| Food Service Fund                                                                                                                                                                                         | 54   |
| Student Activity Fund                                                                                                                                                                                     | 55   |
| Building Fund                                                                                                                                                                                             | 56   |
| Capital Reserve Capital Projects Fund                                                                                                                                                                     | 57   |
| <i>Fiduciary Funds:</i>                                                                                                                                                                                   |      |
| <i>Private-Purpose Trust Fund</i>                                                                                                                                                                         |      |
| Schedule of Changes in Fiduciary Net Position                                                                                                                                                             | 58   |
| <br>EXPENDITURES OF FEDERAL AWARDS                                                                                                                                                                        |      |
| Schedule of Expenditures of Federal Awards                                                                                                                                                                | 59   |
| Notes to the Schedule of Expenditures of Federal Awards                                                                                                                                                   | 60   |
| Report on Internal Control over Financial Reporting and on Compliance and<br>Other Matters Based on an Audit of Financial Statements Performed<br>In Accordance with <i>Government Auditing Standards</i> | 61   |
| Report on Compliance For Each Major Program and on Internal Control<br>over Compliance Required by the Uniform Guidance                                                                                   | 63   |
| Schedule of Findings and Questioned Costs                                                                                                                                                                 | 65   |
| Summary Schedule of Prior Audit Findings                                                                                                                                                                  | 68   |
| <br>COLORADO SCHOOL DISTRICT/BOCES AUDITORS' DATA INTEGRITY REPORT                                                                                                                                        |      |
| Independent Auditors' Report on Colorado School District/BOCES Auditors'<br>Integrity Report                                                                                                              | 69   |
| Colorado School District/BOCES Auditor's Integrity Report                                                                                                                                                 | 70   |



## **INDEPENDENT AUDITORS' REPORT**

To the Board of Education  
Cripple Creek - Victor School District RE-1

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cripple Creek - Victor School District RE-1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, 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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Cripple Creek - Victor School District RE-1, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, effective July 1, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Cripple Creek - Victor School District RE-1's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund statements and schedules and the schedule of expenditures of federal awards 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, the combining and individual fund statements and schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2019, on our consideration of the Cripple Creek - Victor School District RE-1's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Cripple Creek - Victor School District RE-1's internal control over financial reporting and compliance.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 6, 2019

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**June 30, 2018**

The discussion and analysis of Cripple Creek – Victor School District RE-1's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

### **Financial Highlights**

The district's budget is increasing due to increasing EAV – Estimated Assessed Valuation and increased gold production by the major taxpayer in the district, Newmont Mining Company. The district continues to have to repay the State for categorical funding due to the increased EAV and the state funding formula. All increases in revenue are being used to offset the cost of salary and benefits to keep quality teachers in this rural area and for increased costs for safety and security of the students and staff. The District gets limited to no state funding due to the EAV and depends on a healthy fund balance to be able to continue to operate on its budget of property taxes. The District budgets sufficient contingencies greater than required by law to cover any unanticipated operational needs. However, increasing costs for salary and benefits, safety and security and the maintenance of the buildings are concerns for the district and how in the future these will be able to continue to be funded.

### **Using the Basic Financial Statements**

The basic financial statements consist of the Management Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

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

The District's total net position was \$(4,204,822) as of June 30, 2018. Fiscal Year 2017-2018 was the fourth year the District's Governmental net position reflected the implementation of GASB Statement No. 68, Accounting and Financial Reporting for Pensions. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), was effective as of July 1, 2017. This

statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust Funds.

## Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government'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. The change in net position is important because it tells the reader that for the School District as a whole, the financial position of the School District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and required educational programs.

In the Statement of Net Position the District has governmental Activities:

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation and extracurricular activities.

A condensed summary of the District's Net Position is as follows:

### Condensed Statement of Net Position

|                                   | 2018                    | 2017                    |
|-----------------------------------|-------------------------|-------------------------|
|                                   | Governmental Activities | Governmental Activities |
| Current Assets                    | 5,280,416               | 4,814,976               |
| Non-Depreciable Assets            | 19,013                  | -                       |
| Depreciable Assets                | 21,933,939              | 21,884,919              |
| Accumulated Depreciation          | (8,098,656)             | (7,571,418)             |
| <b>Total Assets</b>               | <b>19,134,712</b>       | <b>19,128,477</b>       |
| Deferred Charge on Refunding      | 396,695                 | 449,587                 |
| Deferred Pension & OPEB Outflows  | 5,647,019               | 7,414,598               |
| <b>Total Deferred Outflows</b>    | <b>6,043,714</b>        | <b>7,864,185</b>        |
| Current Liabilities               | 831,705                 | 1,410,328               |
| Long-term Liabilities             | 7,109,678               | 7,227,577               |
| Net Pension & OPEB Liabilities    | 19,976,686              | 19,221,638              |
| <b>Total Liabilities</b>          | <b>27,918,069</b>       | <b>27,859,543</b>       |
| Deferred Pension and OPEB Inflows | 1,465,179               | 289,245                 |
| <b>Total Deferred Inflows</b>     | <b>1,465,179</b>        | <b>289,245</b>          |
| Net Investment in Capital Assets  | 7,187,125               | 6,338,935               |
| Restricted Net Position           | 1,691,746               | 1,426,422               |
| Unrestricted Net Position         | (13,083,693)            | (9,082,483)             |
| <b>Total Net POSITION</b>         | <b>(4,204,822)</b>      | <b>(1,156,126)</b>      |

Most of the district's net position is invested in capital assets (buildings, land, and equipment). The remaining net position is a combination of restricted and unrestricted amounts. The restricted balances are primarily amounts legally restricted for TABOR emergencies and for debt repayment.

A condensed Statement of Activities is as follows:

### Condensed Statement of Activities

|                                          | 2018                       | 2017                       |
|------------------------------------------|----------------------------|----------------------------|
|                                          | Governmental<br>Activities | Governmental<br>Activities |
| <b>Program Revenues</b>                  |                            |                            |
| Charges for Services                     | 128,094                    | 81,654                     |
| Operating Grants                         | 2,331,586                  | 2,006,210                  |
| <b>Total Program Revenues</b>            | <b>2,459,680</b>           | <b>2,087,864</b>           |
| <b>General Revenue</b>                   |                            |                            |
| Taxes                                    | 5,476,464                  | 4,925,257                  |
| State Equalization                       | -                          | 211,968                    |
| Investment Income                        | 46,487                     | 24,188                     |
| Miscellaneous                            | 107,555                    | 118,457                    |
| <b>Total General Revenues</b>            | <b>5,630,506</b>           | <b>5,279,870</b>           |
| <b>Total Revenues</b>                    | <b>8,090,186</b>           | <b>7,367,734</b>           |
| <b>Expenses</b>                          |                            |                            |
| Instruction                              | 5,468,458                  | 5,519,343                  |
| Supporting Services                      | 3,201,482                  | 2,796,064                  |
| Facilities acquisition &<br>Construction | 36,802                     | -                          |
| Community Services                       | 978,025                    | 786,600                    |
| Interest & Fiscal Charges                | 189,236                    | 243,488                    |
| Food Service                             | 231,662                    | 165,428                    |
| Unallocated Depreciation                 | 571,863                    | 565,485                    |
| <b>Total Expenses</b>                    | <b>10,677,528</b>          | <b>10,076,408</b>          |
| <b>Change in Net Position</b>            | <b>(2,587,342)</b>         | <b>(2,708,674)</b>         |
| <b>Net Position – July 1 – restated</b>  | <b>(1,617,480)</b>         | <b>1,552,548</b>           |
| <b>Net Position - Ending June 30</b>     | <b>(4,204,822)</b>         | <b>(1,156,126)</b>         |

## Reporting the District's Most Significant Funds

The analysis of the District's major funds begins on page 48 of the audit report. Fund financial reports provide detailed information about the School District's major funds. The District's major funds are the General, Federal Grants, Head Start, and Bond Redemption Funds.

**Governmental Funds.** Most of District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds.

**Fiduciary Funds.** Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

## Fund Financial Statements

As of June 30, 2018, the District's governmental funds reported a combined fund balance of \$4,299,580 which is an increase of \$245,437 from the June 30, 2017 balance. The following is additional information by fund which contributed to the change.

General Fund equity increased from 2017 to 2018 by \$40,867. This increase is attributable to a increase in EAV – Estimated Assessed Value and a slight increase in expenses. The district will be watching this fund closely in the coming years to make sure our fiduciary responsibilities are met.

Federal Grants Fund continues to receive grant monies and expenditures match the monies received.

The Community Child Care Partnership Grant which is part of Head Start was in its second year of operation and as such the expenses were similar to the previous year's expenses. The district partnered with Community Partnership to oversee the programming requirements and the fiscal integrity of the programs. Head Start Fund equity remained constant as this operation is designed to operate on a break even basis.

The Debt Service Fund continues to pay down debt in this fund as the district refunded bonds within the last few years and is lowering the number of years the district pays on these bonds.

The Food Service Fund continues to receive transfers from the general fund to offset the cost of operations. The District is committed to ensuring all students are given access to nutritious, healthy meals daily.

## Capital Assets

As of June 30, 2018 the District had a net of \$13,854,296 invested in a broad range of capital assets, including buildings and improvements, transportation and other equipment. A summary of the District's Capital Assets is as follows:

### Governmental Activity Capital Assets

| Governmental Activities                       |  | Balance 2017       | Additions        | Adjustments /<br>(Deletions) | Balance 2018       |
|-----------------------------------------------|--|--------------------|------------------|------------------------------|--------------------|
| <b>Capital Assets not Being depreciated</b>   |  |                    |                  |                              |                    |
| Construction in Progress                      |  | -                  | 19,013           | -                            | 19,013             |
| <b>Capital Assets Being depreciated</b>       |  |                    |                  |                              |                    |
| Buildings and Improvements                    |  | 20,370,499         | -                | -                            | 20,370,499         |
| Transportation Equipment                      |  | 1,514,420          | 93,645           | (44,625)                     | 1,563,440          |
| <b>Total Capital Assets</b>                   |  | <b>21,884,919</b>  | <b>93,645</b>    | <b>(44,625)</b>              | <b>21,933,939</b>  |
| <b>Less Accumulated Depreciation</b>          |  |                    |                  |                              |                    |
| Buildings and Improvements                    |  | (6,619,981)        | (468,632)        | -                            | (7,088,613)        |
| Transportation Equipment                      |  | (951,437)          | (103,231)        | 44,625                       | (1,010,043)        |
| <b>Total Accumulated Depreciation</b>         |  | <b>(7,571,418)</b> | <b>(571,863)</b> | <b>44,625</b>                | <b>(8,098,656)</b> |
| <b>Total Capital Assets Being Depreciated</b> |  | <b>14,313,501</b>  | <b>(478,218)</b> | <b>-</b>                     | <b>13,835,283</b>  |
| <b>Net Capital Assets</b>                     |  | <b>14,313,501</b>  | <b>(459,205)</b> | <b>-</b>                     | <b>13,854,296</b>  |

## Debt Administration

As of June 30, 2018 the District had total outstanding long-term obligations as follows:

|                                               | Balance 06/30/17 | Additions | Deletions      | Balance 06/30/18 |
|-----------------------------------------------|------------------|-----------|----------------|------------------|
| General Obligation Bonds                      | 7,290,000        | -         | 745,000        | 6,545,000        |
| Deferred Amounts Bond Premium                 | 485,893          | -         | 101,071        | 384,822          |
| <b>Total General Obligation Bonds Payable</b> | <b>7,775,893</b> | <b>-</b>  | <b>846,071</b> | <b>6,929,822</b> |
| Capital Leases Payable:<br>Copiers/Printer    | 198,673          | -         | 64,629         | 134,044          |
| Compensated Absences: Leave Liability         | 62,640           | -         | 16,828         | 45,812           |
| <b>Total Long-term Obligations</b>            | <b>8,037,206</b> | <b>-</b>  | <b>927,528</b> | <b>7,109,678</b> |

Additional information related to the District's debt can be found in Note 8 to the financial statements.

## **General Fund Budget**

The Board of Education adopts the District's preliminary budget in June of each year. Changes are made mid-year after student enrollment is finalized. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. The majority of changes to the General Fund budget are in the area of salary and benefits due to staff changes. The Federal Grant Fund budget is revised as final allocations become known. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization and Specific Ownership Tax.

## **Economic Factors and Next Year's Budget**

The District saw an increase in pupil enrollment this year and expects to report an increase in enrollment next year. Prior to this year, the District experienced a period of declining enrollment. While this does not signify a trend, the District is hopeful this change will continue. The Governor's Preliminary Budget Request for FY 19 projects a stable or slight increase in per pupil funding. The Board of Education and District Administration feel it is important to maintain and continue a strong, stable budget. Beginning fund balances in the General and Capital Reserve Funds need to be increased to ensure two things: 1) sufficient operating capital; and 2) allow enough of a reserve to allow upkeep and maintenance of buildings and grounds. Bond funds have been conservatively invested through UMB. The Board of Education and District Administration are diligent in their efforts to embrace creative budgeting ideas. Both believe that by providing excellence in education in a safe environment that is conducive to learning; the District will benefit from increased student enrollment and continued community support. The District recently implemented a Vocational Education instruction and many students are taking advantage of this are of instruction.

## **Requests for Information**

This financial report is designed to provide a general overview of the Cripple Creek – Victor School District RE-1's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Business Services, P O Box 897, Cripple Creek, Colorado 80813-0897.

## **BASIC FINANCIAL STATEMENTS**

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

|                                                | <b>Governmental<br/>Activities</b> |
|------------------------------------------------|------------------------------------|
| <b>ASSETS</b>                                  |                                    |
| Cash and cash equivalents                      | \$ 3,332,764                       |
| Cash with County Treasurer                     | 56,394                             |
| Restricted cash and cash equivalents           | 1,512,807                          |
| Accounts receivable                            | 105,732                            |
| Grants receivable                              | 56,967                             |
| Taxes receivable                               | 211,653                            |
| Inventory and other assets                     | 4,099                              |
| Capital assets, not being depreciated          | 19,013                             |
| Capital assets, net of depreciation            | 13,835,283                         |
| Total assets                                   | <u>19,134,712</u>                  |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>          |                                    |
| Deferred charge on refunding                   | 396,695                            |
| Deferred pension and OPEB outflows             | 5,647,019                          |
| Total deferred outflows of resources           | <u>6,043,714</u>                   |
| <b>LIABILITIES</b>                             |                                    |
| Accounts payable and other accrued liabilities | 281,694                            |
| Accrued salaries and benefits                  | 433,762                            |
| Accrued interest                               | 17,800                             |
| Unearned revenues                              | 98,449                             |
| Long-term liabilities:                         |                                    |
| Due within one year                            | 851,211                            |
| Due in more than one year                      | 6,258,467                          |
| Net pension and OPEB liabilities               | 19,976,686                         |
| Total liabilities                              | <u>27,918,069</u>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>           |                                    |
| Deferred pension and OPEB inflows              | 1,465,179                          |
| Total deferred inflows of resources            | <u>1,465,179</u>                   |
| <b>NET POSITION</b>                            |                                    |
| Net investment in capital assets               | 7,187,125                          |
| Restricted for:                                |                                    |
| Emergency reserve (TABOR)                      | 161,000                            |
| Debt service                                   | 1,524,077                          |
| Other purposes                                 | 6,669                              |
| Unrestricted                                   | (13,083,693)                       |
| Total net position                             | <u><u>\$ (4,204,822)</u></u>       |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| <b>Functions/Programs</b>               | <b>Expenses</b>      | <b>Program Revenue</b>          |                                                   |                                                 | <b>Net (Expense)<br/>Revenue and<br/>Change in Net<br/>Position</b> |
|-----------------------------------------|----------------------|---------------------------------|---------------------------------------------------|-------------------------------------------------|---------------------------------------------------------------------|
|                                         |                      | <b>Charges for<br/>Services</b> | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital Grants<br/>and<br/>Contributions</b> | <b>Governmental<br/>Activities</b>                                  |
| Governmental activities:                |                      |                                 |                                                   |                                                 |                                                                     |
| Instruction                             | \$ 5,468,458         | \$ 69,639                       | \$ 2,204,201                                      | \$ -                                            | \$ (3,194,618)                                                      |
| Supporting services                     | 3,196,135            | 29,494                          | -                                                 | -                                               | (3,166,641)                                                         |
| Food service operations                 | 231,662              | 28,961                          | 122,038                                           | -                                               | (80,663)                                                            |
| Community services                      | 978,025              | -                               | -                                                 | -                                               | (978,025)                                                           |
| Facilities acquisition and construction | 36,802               | -                               | -                                                 | -                                               | (36,802)                                                            |
| Interest and fiscal charges             | 189,236              | -                               | -                                                 | -                                               | (189,236)                                                           |
| Unallocated depreciation                | 571,863              | -                               | -                                                 | -                                               | (571,863)                                                           |
| Total governmental activities           | <u>\$ 10,672,181</u> | <u>\$ 128,094</u>               | <u>\$ 2,326,239</u>                               | <u>\$ -</u>                                     | <u>(8,217,848)</u>                                                  |
| General revenues:                       |                      |                                 |                                                   |                                                 |                                                                     |
| Property taxes                          |                      |                                 |                                                   |                                                 | 4,903,480                                                           |
| Specific ownership taxes                |                      |                                 |                                                   |                                                 | 572,984                                                             |
| Investment earnings                     |                      |                                 |                                                   |                                                 | 46,487                                                              |
| Miscellaneous                           |                      |                                 |                                                   |                                                 | 107,555                                                             |
| Total general revenues                  |                      |                                 |                                                   |                                                 | <u>5,630,506</u>                                                    |
| Change in net position                  |                      |                                 |                                                   |                                                 | (2,587,342)                                                         |
| Net position - beginning, as restated   |                      |                                 |                                                   |                                                 | <u>(1,617,480)</u>                                                  |
| Net position - ending                   |                      |                                 |                                                   |                                                 | <u>\$ (4,204,822)</u>                                               |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

|                                                                        | <b>General Fund</b> | <b>Governmental<br/>Designated<br/>Purpose Grants<br/>Fund</b> | <b>Head Start<br/>Fund</b> | <b>Bond<br/>Redemption<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|------------------------------------------------------------------------|---------------------|----------------------------------------------------------------|----------------------------|-------------------------------------|-------------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                                          |                     |                                                                |                            |                                     |                                     |                                         |
| Cash and cash equivalents                                              | \$ 3,193,790        | \$ -                                                           | \$ 60,303                  | \$ -                                | \$ 78,671                           | \$ 3,332,764                            |
| Cash with County Treasurer                                             | 54,750              | -                                                              | -                          | 1,644                               | -                                   | 56,394                                  |
| Restricted cash and cash equivalents                                   | -                   | -                                                              | -                          | 1,512,807                           | -                                   | 1,512,807                               |
| Accounts receivable                                                    | 105,182             | -                                                              | -                          | -                                   | 550                                 | 105,732                                 |
| Grants receivable                                                      | 10,395              | 39,040                                                         | 532                        | -                                   | 7,000                               | 56,967                                  |
| Taxes receivable                                                       | 166,100             | -                                                              | -                          | 45,553                              | -                                   | 211,653                                 |
| Due from other funds                                                   | 30,795              | 55,745                                                         | 378                        | -                                   | 472,368                             | 559,286                                 |
| Inventories                                                            | -                   | -                                                              | -                          | -                                   | 4,099                               | 4,099                                   |
| Total assets                                                           | <u>\$ 3,561,012</u> | <u>\$ 94,785</u>                                               | <u>\$ 61,213</u>           | <u>\$ 1,560,004</u>                 | <u>\$ 562,688</u>                   | <u>\$ 5,839,702</u>                     |
| <b>LIABILITIES</b>                                                     |                     |                                                                |                            |                                     |                                     |                                         |
| Accounts payable and other accrued liabilities                         | \$ 269,628          | \$ (556)                                                       | \$ (375)                   | \$ -                                | \$ 12,997                           | \$ 281,694                              |
| Accrued salaries and benefits                                          | 387,061             | 15,784                                                         | 12,059                     | -                                   | 18,858                              | 433,762                                 |
| Due to other funds                                                     | 528,490             | -                                                              | 30,637                     | -                                   | 159                                 | 559,286                                 |
| Unearned revenue                                                       | -                   | 79,557                                                         | 18,892                     | -                                   | -                                   | 98,449                                  |
| Total liabilities                                                      | <u>1,185,179</u>    | <u>94,785</u>                                                  | <u>61,213</u>              | <u>-</u>                            | <u>32,014</u>                       | <u>1,373,191</u>                        |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                   |                     |                                                                |                            |                                     |                                     |                                         |
| Unavailable revenue-property taxes                                     | <u>131,004</u>      | <u>-</u>                                                       | <u>-</u>                   | <u>35,927</u>                       | <u>-</u>                            | <u>166,931</u>                          |
| Total deferred inflows of resources                                    | <u>131,004</u>      | <u>-</u>                                                       | <u>-</u>                   | <u>35,927</u>                       | <u>-</u>                            | <u>166,931</u>                          |
| <b>FUND BALANCES</b>                                                   |                     |                                                                |                            |                                     |                                     |                                         |
| Nonspendable                                                           | -                   | -                                                              | -                          | -                                   | 4,099                               | 4,099                                   |
| Restricted for:                                                        |                     |                                                                |                            |                                     |                                     |                                         |
| Emergency reserve (TABOR)                                              | 161,000             | -                                                              | -                          | -                                   | -                                   | 161,000                                 |
| Debt service                                                           | -                   | -                                                              | -                          | 1,524,077                           | -                                   | 1,524,077                               |
| Preschool                                                              | 6,669               | -                                                              | -                          | -                                   | -                                   | 6,669                                   |
| Assigned for:                                                          |                     |                                                                |                            |                                     |                                     |                                         |
| Food service operations                                                | -                   | -                                                              | -                          | -                                   | 28,007                              | 28,007                                  |
| Student activities                                                     | -                   | -                                                              | -                          | -                                   | 77,500                              | 77,500                                  |
| Capital projects                                                       | -                   | -                                                              | -                          | -                                   | 421,068                             | 421,068                                 |
| Unassigned                                                             | <u>2,077,160</u>    | <u>-</u>                                                       | <u>-</u>                   | <u>-</u>                            | <u>-</u>                            | <u>2,077,160</u>                        |
| Total fund balances                                                    | <u>2,244,829</u>    | <u>-</u>                                                       | <u>-</u>                   | <u>1,524,077</u>                    | <u>530,674</u>                      | <u>4,299,580</u>                        |
| Total liabilities, deferred inflows of resources,<br>and fund balances | <u>\$ 3,561,012</u> | <u>\$ 94,785</u>                                               | <u>\$ 61,213</u>           | <u>\$ 1,560,004</u>                 | <u>\$ 562,688</u>                   | <u>\$ 5,839,702</u>                     |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

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

|                                                                                                                                                                                                                                       |    |                  |                           |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|------------------|---------------------------|
| Total fund balance - governmental funds                                                                                                                                                                                               | \$ | 4,299,580        |                           |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the statement of net position.                     |    |                  | 13,854,296                |
| Property tax receivable is not available to pay current period expenditures and therefore is not reported in this fund financial statement, but is reported in the governmental activities of the statement of net position.          |    |                  | 166,931                   |
| Deferred charges on refunding are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position.                   |    |                  | 396,695                   |
| Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.                                                                                       |    |                  |                           |
| Pension outflows                                                                                                                                                                                                                      | \$ | 5,630,176        |                           |
| OPEB outflows                                                                                                                                                                                                                         |    | <u>16,843</u>    | 5,647,019                 |
| Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.                                                                                                             |    |                  | (17,800)                  |
| Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.                                                                                                         |    |                  |                           |
| Net pension liabilities                                                                                                                                                                                                               | \$ | (19,531,098)     |                           |
| Net OPEB liabilities                                                                                                                                                                                                                  |    | <u>(445,588)</u> | (19,976,686)              |
| Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.                                                                                              |    |                  |                           |
| Pension inflows                                                                                                                                                                                                                       | \$ | (1,431,508)      |                           |
| OPEB inflows                                                                                                                                                                                                                          |    | <u>(33,671)</u>  | (1,465,179)               |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the statement of net position. |    |                  | <u>(7,109,678)</u>        |
| Net position of governmental activities in the statement of net position                                                                                                                                                              | \$ |                  | <u><u>(4,204,822)</u></u> |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                   | <b>General Fund</b> | <b>Governmental<br/>Designated<br/>Purpose<br/>Grants Fund</b> | <b>Head Start<br/>Fund</b> | <b>Bond<br/>Redemption<br/>Fund</b> | <b>Total<br/>Nonmajor<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|---------------------------------------------------|---------------------|----------------------------------------------------------------|----------------------------|-------------------------------------|-------------------------------------|-----------------------------------------|
| <b>REVENUES</b>                                   |                     |                                                                |                            |                                     |                                     |                                         |
| Local sources                                     | \$ 4,598,644        | \$ -                                                           | \$ -                       | \$ 1,078,558                        | \$ 167,260                          | \$ 5,844,462                            |
| State sources                                     | 476,115             | -                                                              | -                          | -                                   | 3,114                               | 479,229                                 |
| Federal sources                                   | 36,420              | 162,571                                                        | 1,455,486                  | -                                   | 125,925                             | 1,780,402                               |
| Total revenues                                    | 5,111,179           | 162,571                                                        | 1,455,486                  | 1,078,558                           | 296,299                             | 8,104,093                               |
| <b>EXPENDITURES</b>                               |                     |                                                                |                            |                                     |                                     |                                         |
| Instruction                                       | 2,660,300           | 112,183                                                        | 464,618                    | -                                   | 62,930                              | 3,300,031                               |
| Supporting services                               | 2,129,539           | 50,388                                                         | 9,626                      | -                                   | -                                   | 2,189,553                               |
| Food service operations                           | -                   | -                                                              | -                          | -                                   | 238,046                             | 238,046                                 |
| Community services                                | -                   | -                                                              | 981,242                    | -                                   | -                                   | 981,242                                 |
| Facilities acquisition & construction             | -                   | -                                                              | -                          | -                                   | 99,388                              | 99,388                                  |
| Debt service                                      | 69,493              | -                                                              | -                          | 980,903                             | -                                   | 1,050,396                               |
| Total expenditures                                | 4,859,332           | 162,571                                                        | 1,455,486                  | 980,903                             | 400,364                             | 7,858,656                               |
| Excess (deficiency) of revenues over expenditures | 251,847             | -                                                              | -                          | 97,655                              | (104,065)                           | 245,437                                 |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>         |                     |                                                                |                            |                                     |                                     |                                         |
| Transfers in (out)                                | (210,980)           | -                                                              | -                          | -                                   | 210,980                             | -                                       |
| Total other financing sources (uses)              | (210,980)           | -                                                              | -                          | -                                   | 210,980                             | -                                       |
| Net change in fund balances                       | 40,867              | -                                                              | -                          | 97,655                              | 106,915                             | 245,437                                 |
| Fund balances - beginning                         | 2,203,962           | -                                                              | -                          | 1,426,422                           | 423,759                             | 4,054,143                               |
| Fund balances - ending                            | <u>\$ 2,244,829</u> | <u>\$ -</u>                                                    | <u>\$ -</u>                | <u>\$ 1,524,077</u>                 | <u>\$ 530,674</u>                   | <u>\$ 4,299,580</u>                     |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

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

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                       |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Net change in fund balances - total governmental funds:                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | \$ 245,437            |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.                                                                                                                                                                                                                      | (459,205)             |
| Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the statement of activities when earned.                                                                                                                                                                                                                                                                                                                                  | (14,355)              |
| Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid.                                                                                                                                                                                                                                                                                                                                                                                                          | 3,352                 |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. | 857,808               |
| Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year.                                                                                                                                                                                                                                                                                                                    | 16,828                |
| Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.                                                                                                                                                                                                                                                                                                                                      |                       |
| Pension expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | \$ (3,236,146)        |
| OPEB expenses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (1,061)               |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | (3,237,207)           |
| Change in net position of governmental activities                                                                                                                                                                                                                                                                                                                                                                                                                                                                               | <u>\$ (2,587,342)</u> |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**JUNE 30, 2018**

|                               | <b>Private-<br/>Purpose<br/>Trust Fund</b> |
|-------------------------------|--------------------------------------------|
| <b>ASSETS</b>                 |                                            |
| Cash and cash equivalents     | \$ 5,333                                   |
| Total assets                  | <u>\$ 5,333</u>                            |
| <b>LIABILITIES</b>            |                                            |
| Accounts payable              | <u>\$ -</u>                                |
| Total liabilities             | <u>-</u>                                   |
| <b>NET POSITION</b>           |                                            |
| Held in trust for individuals |                                            |
| Expendable                    | <u>5,333</u>                               |
| Total net position            | <u>\$ 5,333</u>                            |

The accompanying notes are an integral part of these financial statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUND**  
**FOR THE YEAR ENDED JUNE, 30 2018**

|                          | <b>Private-<br/>Purpose<br/>Trust Fund</b> |
|--------------------------|--------------------------------------------|
| <b>ADDITIONS</b>         |                                            |
| Investment income        | \$ 1                                       |
| Total additions          | 1                                          |
| <b>DEDUCTIONS</b>        |                                            |
| Scholarship awards       | -                                          |
| Total deductions         | -                                          |
| Change in net position   | 1                                          |
| Net position - beginning | 5,332                                      |
| Net position - ending    | \$ 5,333                                   |

The accompanying notes are an integral part of these financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Cripple Creek - Victor School District RE-1 (the District) of Teller County was organized by a vote of qualified electorate in 1959, under the provisions of the Colorado School Organization Act of 1957.

The District operates under an elected Board of Education with five members and provides educational services to approximately 367 students.

The financial statements of Cripple Creek - Victor School District RE-1 have been prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

*B. REPORTING ENTITY*

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The District has no component units for which either discrete or blended presentation is required.

*C. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Head Start Fund* is used to record financial transactions for grants received for the District's federal Head Start Program.

The *Bond Redemption Fund* accounts for the accumulation of resources restricted for the servicing of the District's general obligation bonds.

Additionally, the District reports the following fund types:

*Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Student Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. The fund receives subsidies from the General Fund.

*Capital Projects Funds* account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays acquisition or construction of major capital facilities and other capital assets.

The *Building Fund* is used to account for all resources available for acquiring capital sites, buildings, and equipment.

The *Capital Reserve Capital Projects Fund* is used to account for significant capital expenditures.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)*

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District has one fiduciary fund:

The *Private Purpose Trust Fund* is used to report any trust arrangement under which the principal and/or income benefit students and the funds are not used as part of the operations of the District.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

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. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition. Investments are stated at fair value.

*Restricted cash and cash equivalents*

The use of certain cash and cash equivalents of the District may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements

*Receivables*

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

*Inventory*

Inventory is valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt. Expenses for food items are recorded when used. The federal government donates surplus commodities to supplement the national school lunch programs.

*Capital Assets*

Capital assets, which include buildings and improvements, equipment, and vehicles, are reported in the governmental column in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

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. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings and improvements, equipment, and vehicles of the government are depreciated using the straight-line method over the following estimated useful lives:

|                            |              |
|----------------------------|--------------|
| Buildings and improvements | 15- 45 years |
| Equipment and vehicles     | 5 - 15 years |

*Pensions*

Cripple Creek - Victor School District RE-1 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*.

*Health Care Trust Fund*

Cripple Creek - Victor School District RE-1 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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

*Long-term liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund balance flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND  
NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. *Fund balance classification*

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the District's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

**Unassigned** – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The District would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) charges to students and others for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

*Property Taxes*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 15 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The Teller County Treasurer bills and collects the District's property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The tax rate for the year ended December 31, 2018 is 13.580 mills for general operating expenses and 3.725 mills for the payment of long-term debt. The District's assessed valuation for the collection year 2018 is \$282,574,410.

*Specific Ownership Taxes*

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District's assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

*Compensated Absences*

Accumulated discretionary days are reimbursed upon voluntary termination of employment if the employee has been employed with the District for at least five consecutive years. Discretionary days are not reimbursed to any individual terminated by the District.

The current portion of this liability represents the amounts that would be liquidated with expendable available financial resources and would be recorded in the General Fund. The current portion is not material. Therefore, a liability of these benefits has not been reflected in these statements.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*H. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

*I. ADOPTION OF NEW ACCOUNTING STANDARDS*

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

|                                                    |                       |
|----------------------------------------------------|-----------------------|
| Net Position, June 30, 2017, as Originally Stated  | \$ (1,156,126)        |
| Adjustment to fund balance                         | <u>(461,354)</u>      |
| Net Position, June 30, 2017, as Restated (deficit) | <u>\$ (1,617,480)</u> |

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the fund financial statements”. The details of this difference are as follows:

|                                                                                                                                   |                      |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Depreciable assets                                                                                                                | \$ 21,933,939        |
| Non-depreciable assets                                                                                                            | 19,013               |
| Less: accumulated depreciation                                                                                                    | <u>(8,098,656)</u>   |
| Net adjustment to <i>total fund balances—governmental funds</i> to arrive at<br><i>total net position—governmental activities</i> | <u>\$ 13,854,296</u> |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**  
**(CONTINUED)**

Another element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and, therefore, are not included in the fund financial statements.” The details of this difference are as follows:

|                                                                                                                             |                       |
|-----------------------------------------------------------------------------------------------------------------------------|-----------------------|
| Bonds payable                                                                                                               | \$ (6,545,000)        |
| Bond premium                                                                                                                | (384,822)             |
| Capital lease obligations                                                                                                   | (134,044)             |
| Compensated absences                                                                                                        | <u>(45,812)</u>       |
| Net adjustment to <i>total fund balances—governmental funds</i> to arrive at<br><i>net position—governmental activities</i> | <u>\$ (7,109,678)</u> |

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities. One element of the reconciliation states that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

|                                                                                                                                               |                     |
|-----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Depreciation                                                                                                                                  | \$ (571,863)        |
| Capital outlays                                                                                                                               | <u>112,658</u>      |
| Net adjustment to <i>net change in fund balances—governmental funds</i><br>to arrive at <i>change in net position—governmental activities</i> | <u>\$ (459,205)</u> |

Another element of the reconciliation states that “the issuance of long-term debt 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. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities”. The details of this difference are as follows:

|                                                                                                                                               |                   |
|-----------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Bond principal payments                                                                                                                       | \$ 745,000        |
| Capital lease payment                                                                                                                         | 64,629            |
| Amortization of bond premium                                                                                                                  | 101,071           |
| Amortization of deferred charge on refunding                                                                                                  | <u>(52,892)</u>   |
| Net adjustment to <i>net change in fund balances—governmental funds</i> to<br>arrive at <i>change in net position—governmental activities</i> | <u>\$ 857,808</u> |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Education.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for all funds.
6. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

*Excess of Expenditures Over Appropriations*

For the year ended June 30, 2018, expenditures exceeded appropriations of the Food Service and Governmental Designated Purpose Grants fund by \$23,046 and \$2,571, respectively. These over expenditures were funded by beginning fund balances and greater than anticipated revenue, respectively.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

The District's restricted and unrestricted cash and investments consist of the following at June 30, 2018:

|                            | Unrestricted<br>Cash and Cash<br><u>Equivalents</u> | Unrestricted<br><u>Investments</u> | Restricted<br><u>Investments</u> | Total               |
|----------------------------|-----------------------------------------------------|------------------------------------|----------------------------------|---------------------|
| Deposits                   | \$ 820,352                                          | \$ -                               | \$ -                             | \$ 820,352          |
| ColoTrust                  | <u>-</u>                                            | <u>2,512,412</u>                   | <u>1,512,807</u>                 | <u>4,025,219</u>    |
| Total Cash and Investments | <u>\$ 820,352</u>                                   | <u>\$ 2,512,412</u>                | <u>\$ 1,512,807</u>              | <u>\$ 4,845,571</u> |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*Deposits*

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2018 was \$820,352 and the bank balances were \$1,037,027. Of the bank balances, \$337,355 was covered by federal deposit insurance and \$699,672 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in trust for all uninsured deposits as a group.

*Investments*

The District is authorized by Colorado statutes to invest in the following:

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

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

At June 30, 2018 the District's investment balances were as follows:

| <u>Investment</u> | <u>Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|-------------------|-------------------|-------------------|---------------|
| ColoTrust         | Less than 60 days | \$ 4,025,219      | AAAm          |

Interest Rate Risk: Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. State law limits investment maturities to five years or less as a means of management exposure to fair value loss resulting from increasing interest rates. The District does not have a formal policy that limits investment maturities as a means of managing its exposure to interest rate risk. However, almost all investments of the District have maturities less than six months. As such, due to the short-term nature of the District's investments, interest rate risk is minimized.

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The District does not have a formal investment policy that would further limit its investment choices. As of June 30, 2018 all of the District's investments in COLOTRUST were rated AAAm by Standard & Poor's and the other investments were not rated.

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

The composition of interfund balances at June 30, 2018 is as follows:

|                                             | <u>Due From<br/>Other Funds</u> | <u>Due To<br/>Other Funds</u> |
|---------------------------------------------|---------------------------------|-------------------------------|
| General Fund                                | \$ 30,795                       | \$ 528,490                    |
| Governmental Designated-Purpose Grants Fund | 55,745                          | -                             |
| Student Activity Fund                       | -                               | 159                           |
| Food Service Fund                           | 39,787                          | -                             |
| Head Start Fund                             | 378                             | 30,637                        |
| Building Fund                               | 32,500                          | -                             |
| Capital Projects Fund                       | <u>400,081</u>                  | <u>-</u>                      |
| Total                                       | <u>\$ 559,286</u>               | <u>\$ 559,286</u>             |

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

*Interfund transfers*

The composition of interfund transfers for the year ended June 30, 2018 is as follows:

|                       | <u>Transfers From<br/>Other Funds</u> | <u>Transfers To<br/>Other Funds</u> |
|-----------------------|---------------------------------------|-------------------------------------|
| General Fund          | \$ -                                  | \$ 210,980                          |
| Food Service Fund     | 60,000                                | -                                   |
| Capital Projects Fund | <u>150,980</u>                        | <u>-</u>                            |
| Total                 | <u>\$ 210,980</u>                     | <u>\$ 210,980</u>                   |

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 - CAPITAL ASSETS**

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

|                                             | <u>Beginning<br/>Balance</u> | <u>Increases</u>    | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|---------------------------------------------|------------------------------|---------------------|------------------|---------------------------|
| <u>Governmental activities</u>              |                              |                     |                  |                           |
| Capital assets not being depreciated        |                              |                     |                  |                           |
| Construction in progress                    | \$ -                         | \$ 19,013           | \$ -             | \$ 19,013                 |
| Total capital assets not being depreciated  | <u>                    </u>  | <u>19,013</u>       | <u>-</u>         | <u>19,013</u>             |
| Capital assets being depreciated:           |                              |                     |                  |                           |
| Buildings and improvements                  | 20,370,499                   | -                   | -                | 20,370,499                |
| Equipment and vehicles                      | <u>1,514,420</u>             | <u>93,645</u>       | <u>(44,625)</u>  | <u>1,563,440</u>          |
| Total capital assets being depreciated      | <u>21,884,919</u>            | <u>93,645</u>       | <u>(44,625)</u>  | <u>21,933,939</u>         |
| Less accumulated depreciation for:          |                              |                     |                  |                           |
| Buildings and improvements                  | (6,619,981)                  | (468,632)           | -                | (7,088,613)               |
| Equipment and vehicles                      | <u>(951,437)</u>             | <u>(103,231)</u>    | <u>44,625</u>    | <u>(1,010,043)</u>        |
| Total accumulated depreciation              | <u>(7,571,418)</u>           | <u>(571,863)</u>    | <u>44,625</u>    | <u>(8,098,656)</u>        |
| Total capital assets being depreciated, net | <u>14,313,501</u>            | <u>(478,218)</u>    | <u>-</u>         | <u>13,835,283</u>         |
| Governmental activities capital assets, net | <u>\$ 14,313,501</u>         | <u>\$ (459,205)</u> | <u>\$ -</u>      | <u>\$ 13,854,296</u>      |

**NOTE 7 – ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are \$433,762. Accordingly, the accrued compensation is reflected as a liability in the accompanying Government-Wide Statement of Net Position.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - LONG-TERM LIABILITIES**

*General Obligation Bonds*

The District issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. All general obligation bonds have been issued for governmental activities.

General Obligation bonds payable at June 30, 2018 are as follows:

|                                                                                                                                                                                                                                                                                                                                                                                                                                      | <u>Principal<br/>Balance</u> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------|
| 2007 General Obligation Bonds – On December 20, 2007, the District issued \$6,120,000 of General Obligation Bonds for the purpose of renovating, repairing, expanding and equipping existing District facilities. The bonds bear interest at rates varying from 3.50% to 6.00%. The bonds require annual principal payments on December 1, beginning on December 1, 2013, and semiannual interest payments on June 1 and December 1. | \$ 405,000                   |
| 2014 General Obligation Refunding Bonds – On December 17, 2014, the District issued \$6,560,000 of General Obligation Refunding Bonds for the purpose of refunding the 2007 & 2008 General Obligation Bonds. The bonds are payable in annual installments in varying amounts including interest through December 1, 2027; interest accrues at an annual rate ranging from 2.00% to 3.50%.                                            | <u>6,140,000</u>             |
| Total                                                                                                                                                                                                                                                                                                                                                                                                                                | <u>\$ 6,545,000</u>          |

Annual debt service requirements to maturity for general obligation bonds are as follows:

| <u>Fiscal Year<br/>Ending June 30</u> | <u>Governmental Activities</u> |                   |
|---------------------------------------|--------------------------------|-------------------|
|                                       | <u>Principal</u>               | <u>Interest</u>   |
| 2019                                  | \$ 785,000                     | \$ 196,762        |
| 2020                                  | 820,000                        | 167,625           |
| 2021                                  | 840,000                        | 142,725           |
| 2022                                  | 865,000                        | 117,150           |
| 2023                                  | 895,000                        | 90,750            |
| 2024-2026                             | <u>2,340,000</u>               | <u>105,163</u>    |
| Total                                 | <u>\$ 6,545,000</u>            | <u>\$ 820,175</u> |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - LONG-TERM LIABILITIES (CONTINUED)**

*Legal Debt Margin*

|                                        |                       |
|----------------------------------------|-----------------------|
| Assessed valuation                     | <u>\$ 282,574,410</u> |
| Debt limit – 20% of assessed valuation | 56,514,882            |
| General obligation debt                | <u>6,545,000</u>      |
|                                        | <u>\$ 49,969,882</u>  |

*Prior Year Defeasance of Debt*

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2018, the amount of defeased debt outstanding amounted to \$7,505,000.

*Compensated Absences*

Accrued discretionary days for all of the District's full-time employees totaled \$45,812 at June 30, 2018. Accrued discretionary days are payable only to full time employees with at least five years of continuous service with the District.

*Changes in Long-Term Liabilities*

The following is a summary of long-term liabilities of the District for the year ended June 30, 2018:

|                                      | <u>Balance</u><br><u>06/30/17</u> | <u>Debt Issued</u><br><u>And Additions</u> | <u>Reductions</u> | <u>Balance</u><br><u>06/30/18</u> | <u>Due Within</u><br><u>One year</u> |
|--------------------------------------|-----------------------------------|--------------------------------------------|-------------------|-----------------------------------|--------------------------------------|
| <i>Governmental Activities</i>       |                                   |                                            |                   |                                   |                                      |
| General obligation bonds             | \$ 7,290,000                      | \$ -                                       | \$ 745,000        | \$ 6,545,000                      | \$ 785,000                           |
| Unamortized bond premium             | <u>485,893</u>                    | <u>-</u>                                   | <u>101,071</u>    | <u>384,822</u>                    | <u>-</u>                             |
| Total bonds payable                  | 7,775,893                         | -                                          | 846,071           | 6,929,822                         | 785,000                              |
| Capital Leases                       | 198,673                           | -                                          | 64,629            | 134,044                           | 66,211                               |
| Compensated absences                 | <u>62,640</u>                     | <u>-</u>                                   | <u>16,828</u>     | <u>45,812</u>                     | <u>-</u>                             |
| <i>Total Governmental Activities</i> | <u>\$ 8,037,206</u>               | <u>\$ -</u>                                | <u>\$ 927,528</u> | <u>\$ 7,109,678</u>               | <u>\$ 851,211</u>                    |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the Cripple Creek - Victor School District RE-1 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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Contributions provisions as of June 30, 2018:* Eligible employees and Cripple Creek - Victor School District RE-1 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<br>Ended<br>December 31,<br>2017 | For the Year<br>Ended<br>December 31,<br>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>                                 |

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 Cripple Creek - Victor School District RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Cripple Creek - Victor School District RE-1 were \$523,079 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 Cripple Creek - Victor School District RE-1 reported a liability of \$19,531,098 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 Cripple Creek - Victor School District RE-1 proportion of the net pension liability was based on Cripple Creek - Victor School District RE-1 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 Cripple Creek - Victor School District RE-1's proportion was 0.0603996419 percent, which was a decrease of 0.0041591129 percent from its proportion measured as of December 31, 2016.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2018, the Cripple Creek - Victor School District RE-1 recognized pension expense of \$3,759,226. At June 30, 2018, the Cripple Creek - Victor School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|                                                                                                                 | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual Experience                                                               | \$ 359,095                                | \$ -                                     |
| Changes of assumptions or other inputs                                                                          | 4,987,015                                 | 31,646                                   |
| Net difference between projected and actual earnings on pension plan investments                                | -                                         | 767,005                                  |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 7,695                                     | 632,857                                  |
| Contributions subsequent to the measurement date                                                                | 276,371                                   | N/A                                      |
| Total                                                                                                           | \$ 5,630,176                              | \$ 1,431,508                             |

\$276,371 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                           |              |
|---------------------------|--------------|
| Year ended June 30, 2018: |              |
| 2019                      | \$ 2,793,686 |
| 2020                      | \$ 1,494,377 |
| 2021                      | \$ (77,216)  |
| 2022                      | \$ (288,550) |
| 2023                      | \$ -         |
| Thereafter                | \$ -         |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*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<br>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;<br>and DPS benefit structure (automatic)                     | 2.00 percent                               |
| PERA benefit structure hired after 12/31/06<br>(ad hoc, substantively automatic)                           | Financed by the<br>Annual Increase Reserve |

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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of Return</b> |
|-----------------------------------|--------------------------|-------------------------------------------------------|
| 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%.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- 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.
- 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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Sensitivity of the Cripple Creek - Victor School District RE-1 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<br>(3.78%) | Current Discount<br>Rate (4.78%) | 1% Increase<br>(5.78%) |
|--------------------------------------------------|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 24,671,098          | \$ 19,531,098                    | \$ 15,342,584          |

*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).

*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.

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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At June 30, 2018, the Cripple Creek - Victor School District RE-1 reported a liability of \$19,531,098 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 Cripple Creek - Victor School District RE-1 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<br>Calculated Using Plan Provisions<br>Required by SB 18-200<br>(pro forma) | Proportionate Share of the Estimated Net<br>Pension Liability Calculated Using Plan<br>Provisions Required by SB 18-200<br>(pro forma) |
|-----------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------|
| 7.25%                                                                                               | \$ 8,823,981                                                                                                                           |

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 \$9,117,238 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*Health Care Trust Fund*

*Plan description.* Eligible employees of the Cripple Creek - Victor School District RE-1 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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

*PERA Benefit Structure*

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

*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 Cripple Creek - Victor School District RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Cripple Creek - Victor School District RE-1 were \$28,706 for the year ended June 30, 2018.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

At June 30, 2018, the Cripple Creek - Victor School District RE-1 reported a liability of \$445,588 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 Cripple Creek - Victor School District RE-1 proportion of the net OPEB liability was based on Cripple Creek - Victor School District RE-1 contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Cripple Creek - Victor School District RE-1 proportion was 0.0342865141 percent, which was a decrease of 0.0024096191 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Cripple Creek - Victor School District RE-1 recognized OPEB expense of \$29,766. At June 30, 2018, the Cripple Creek - Victor School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|                                                                                                                 | <u>Deferred Outflows of<br/>Resources</u> | <u>Deferred Inflows of<br/>Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience                                                               | \$ 2,107                                  | \$ -                                     |
| Changes of assumptions or other inputs                                                                          | -                                         | -                                        |
| Net difference between projected and actual earnings on OPEB plan investments                                   | -                                         | 7,455                                    |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -                                         | 26,216                                   |
| Contributions subsequent to the measurement date                                                                | 14,736                                    | N/A                                      |
| Total                                                                                                           | \$ 16,843                                 | \$ 33,671                                |

\$14,736 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <b>Year ended June 30, 2018:</b> |            |
|----------------------------------|------------|
| 2019                             | \$ (6,600) |
| 2020                             | \$ (6,600) |
| 2021                             | \$ (6,600) |
| 2022                             | \$ (6,599) |
| 2023                             | \$ (4,736) |
| Thereafter                       | \$ (429)   |

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

*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<br>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,<br>gradually rising to 4.25<br>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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

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

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

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

For disabled retirees, the mortality assumption was based on 90 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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

| <b>Asset Class</b>                | <b>Target Allocation</b> | <b>30 Year Expected Geometric Real Rate of Return</b> |
|-----------------------------------|--------------------------|-------------------------------------------------------|
| 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%.

*Sensitivity of the Cripple Creek - Victor School District RE-1 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:

|                                     | <b>1% Decrease in Trend Rates</b> | <b>Current Trend Rates</b> | <b>1% Increase in Trend Rates</b> |
|-------------------------------------|-----------------------------------|----------------------------|-----------------------------------|
| 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                  | \$ 433,328                        | \$ 445,588                 | \$ 460,354                        |

*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%.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

- 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.

*Sensitivity of the Cripple Creek - Victor School District RE-1 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<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|-----------------------------------------------|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 500,980             | \$ 445,588                       | \$ 398,308             |

*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).

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – JOINT VENTURE**

*Ute Pass Board of Cooperative Educational Services*

The District in conjunction with other surrounding districts created the Ute Pass Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The District does not have an ongoing financial interest in or responsibility for the BOCES. Financial statements for the BOCES can be obtained from their office at 405 El Monte Place, Manitou Springs, Colorado 80829.

*Colorado Educational Benefits Trust*

Colorado Educational Benefits Trust (CEBT) is a separate legal entity originally established by twenty-two member school districts pursuant to the provisions of Colorado Revised Statutes and the Colorado Constitution.

The purpose of CEBT is to provide members the benefits of decreased costs in obtaining medical, life, dental and vision coverage for the employees of the member districts. The expense of coverage paid to CEBT is paid annually from the fund in which the employee receives compensation. Contingent liability claims for the coverage have not been recognized to date after reviewing claims history and the remoteness of potential loss in excess of school contributions by the District.

It is the intent of the members of CEBT to operate an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with bylaws, any member of CEBT against stated liability or loss to the limit of the financial resources of CEBT. It is also the intent of the members to have CEBT provide continuing stability and availability of needed coverage at reasonable costs. All income and assets of CEBT shall be at all times dedicated to the exclusive benefit of its members. CEBT is a separate legal entity and under Colorado Law is not required to prepare budgets. The District does not have the ability to significantly affect the operations of the unit.

Condensed financial information for the CEBT pool for the year ended June 30, 2017 is as follows:

|                          |                       |
|--------------------------|-----------------------|
| Assets                   | \$ 58,643,000         |
| Liabilities              | <u>28,323,000</u>     |
| Net Position             | <u>\$ 30,320,000</u>  |
| Revenue                  | \$ 177,218,000        |
| Expenses                 | <u>179,452,000</u>    |
| Increase in Net Position | <u>\$ (2,234,000)</u> |

CEBT issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the Trust's administrator, Willis of Colorado, Inc., 2000 S. Colorado Blvd., Tower II, Suite 900, Denver, CO 80222.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 13 – COMMITMENTS AND CONTINGENCIES**

*Legal*

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the government's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursements to grantor agencies for expenditures disallowed under the terms of the grant. District management believes disallowances, if any, would be immaterial.

*Southern Teller County Public Library District*

On August 18, 2014 the District signed a Memorandum of Understanding with the Southern Teller County Public Library District that outlines an operating agreement between the two public entities. The agreement provides for shared costs and services that include occupancy costs, utilities, director salary, and library resources.

**NOTE 14 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES**

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

**NOTE 15 - TAX, SPENDING, AND DEBT LIMITATIONS**

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 entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 15 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

On November 5, 1997 the registered voters approved a ballot resolution authorizing Cripple Creek - Victor School District RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. Emergency Reserves totaling \$161,000 have been presented as a reservation of fund balance in the General Fund.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT'S SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

|                                                                                                            | <u>2017</u>   | <u>2016</u>   | <u>2015</u>   | <u>2014</u>   | <u>2013</u>   |
|------------------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| District's proportion of the net pension liability (asset)                                                 | 0.0603996419% | 0.0645587548% | 0.0658102844% | 0.0659470600% | 0.0682975796% |
| District's proportionate share of the net pension liability (asset)                                        | \$ 19,531,098 | \$ 19,221,638 | \$ 10,065,218 | \$ 8,938,042  | \$ 8,711,338  |
| District's covered payroll                                                                                 | \$ 2,786,164  | \$ 2,897,513  | \$ 2,867,997  | \$ 2,762,709  | \$ 2,753,293  |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 701.00%       | 663.38%       | 350.95%       | 323.52%       | 316.40%       |
| Plan fiduciary net position as a percentage of the total pension liability                                 | 44.0%         | 43.1%         | 59.2%         | 62.8%         | 64.1%         |

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - PENSION**  
**JUNE 30, 2018**

|                                                                      | <u>2017</u>      | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|----------------------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution                                  | \$ 519,062       | \$ 525,319       | \$ 497,024       | \$ 453,913       | \$ 427,586       |
| Contributions in relation to the contractually required contribution | <u>(519,062)</u> | <u>(525,319)</u> | <u>(497,024)</u> | <u>(453,913)</u> | <u>(427,586)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| District's covered payroll                                           | \$ 2,786,164     | \$ 2,897,513     | \$ 2,867,997     | \$ 2,762,709     | \$ 2,753,293     |
| Contributions as a percentage of covered payroll                     | 18.63%           | 18.13%           | 17.33%           | 16.43%           | 15.53%           |

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT'S SHARE OF THE NET OPEB LIABILITY**  
**JUNE 30, 2018**

|                                                                                                         | <u>2017</u>   | <u>2016</u>   |
|---------------------------------------------------------------------------------------------------------|---------------|---------------|
| District's proportion of the net OPEB liability (asset)                                                 | 0.0342865141% | 0.0366961332% |
| District's proportionate share of the net OPEB liability (asset)                                        | \$ 445,588    | \$ 475,778    |
| District's covered payroll                                                                              | \$ 2,783,539  | \$ 2,897,525  |
| District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll | 16.01%        | 16.42%        |
| Plan fiduciary net position as a percentage of the total OPEB liability                                 | 17.5%         | 16.7%         |

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2018**

|                                                                      | <u>2017</u>     | <u>2016</u>     |
|----------------------------------------------------------------------|-----------------|-----------------|
| Contractually required contribution                                  | \$ 28,392       | \$ 29,555       |
| Contributions in relation to the contractually required contribution | <u>(28,392)</u> | <u>(29,555)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>     | <u>\$ -</u>     |
| District's covered payroll                                           | \$ 2,783,539    | \$ 2,897,525    |
| Contributions as a percentage of covered payroll                     | 1.02%           | 1.02%           |

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                      | <u>Budgeted Amounts</u> |                   |                     | <b>Variance with<br/>Final Budget -<br/>Positive<br/>(Negative)</b> |
|------------------------------------------------------|-------------------------|-------------------|---------------------|---------------------------------------------------------------------|
|                                                      | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>       |                                                                     |
| <b>REVENUES</b>                                      |                         |                   |                     |                                                                     |
| Property taxes                                       | \$ 3,857,666            | \$ 3,913,094      | \$ 3,857,715        | \$ (55,379)                                                         |
| Specific ownership taxes                             | 572,977                 | 581,209           | 572,984             | (8,225)                                                             |
| State sources                                        | 481,456                 | 488,374           | 476,115             | (12,259)                                                            |
| Federal sources                                      | 36,420                  | 36,943            | 36,420              | (523)                                                               |
| Other local revenue                                  | 167,942                 | 170,356           | 167,945             | (2,411)                                                             |
| Total revenues                                       | <u>5,116,461</u>        | <u>5,189,976</u>  | <u>5,111,179</u>    | <u>(78,797)</u>                                                     |
| <b>EXPENDITURES</b>                                  |                         |                   |                     |                                                                     |
| Instruction                                          | 2,992,795               | 3,034,018         | 2,660,300           | 373,718                                                             |
| Supporting services                                  |                         |                   |                     |                                                                     |
| Student support                                      | 158,414                 | 160,595           | 140,814             | 19,781                                                              |
| Instructional staff                                  | 165,288                 | 167,565           | 146,925             | 20,640                                                              |
| General administration                               | 286,101                 | 290,042           | 321,316             | (31,274)                                                            |
| School administration                                | 427,611                 | 433,501           | 380,104             | 53,397                                                              |
| Business services                                    | 300,450                 | 304,588           | 267,070             | 37,518                                                              |
| Operations and maintenance                           | 603,904                 | 612,223           | 536,811             | 75,412                                                              |
| Student transportation                               | 319,436                 | 323,836           | 283,947             | 39,889                                                              |
| Central support service                              | 59,120                  | 59,934            | 52,552              | 7,382                                                               |
| Other support services                               | 6,015                   | 6,098             | -                   | 6,098                                                               |
| Debt service                                         | 78,179                  | 79,255            | 69,493              | 9,762                                                               |
| Total expenditures                                   | <u>5,397,313</u>        | <u>5,471,655</u>  | <u>4,859,332</u>    | <u>612,323</u>                                                      |
| Excess (deficiency) of<br>revenues over expenditures | <u>(280,852)</u>        | <u>(281,679)</u>  | <u>251,847</u>      | <u>533,526</u>                                                      |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>            |                         |                   |                     |                                                                     |
| Transfers in (out)                                   | <u>(175,980)</u>        | <u>(210,980)</u>  | <u>(210,980)</u>    | <u>-</u>                                                            |
| Total other financing sources (uses)                 | <u>(175,980)</u>        | <u>(210,980)</u>  | <u>(210,980)</u>    | <u>-</u>                                                            |
| Net change in fund balance                           | (456,832)               | (492,659)         | 40,867              | 533,526                                                             |
| Fund balance - beginning                             | <u>456,832</u>          | <u>653,659</u>    | <u>2,203,962</u>    | <u>1,550,303</u>                                                    |
| Fund balance - ending                                | <u>\$ -</u>             | <u>\$ 161,000</u> | <u>\$ 2,244,829</u> | <u>\$ 2,083,829</u>                                                 |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**GOVERNMENTAL DESIGNATED-PURPOSE GRANTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                            | <u>Budgeted Amounts</u> |              |               | <u>Variance</u>      |
|----------------------------|-------------------------|--------------|---------------|----------------------|
|                            | <u>Original</u>         | <u>Final</u> | <u>Actual</u> | <u>Favorable</u>     |
|                            |                         |              |               | <u>(Unfavorable)</u> |
| <b>REVENUES</b>            |                         |              |               |                      |
| Federal sources            | \$ 143,387              | \$ 160,000   | \$ 162,571    | \$ 2,571             |
| Total revenues             | 143,387                 | 160,000      | 162,571       | 2,571                |
| <b>EXPENDITURES</b>        |                         |              |               |                      |
| Instruction                | 120,457                 | 112,529      | 112,183       | 346                  |
| Supporting services        | 37,027                  | 47,471       | 50,388        | (2,917)              |
| Total expenditures         | 157,484                 | 160,000      | 162,571       | (2,571)              |
| Net change in fund balance | (14,097)                | -            | -             | 162,571              |
| Fund balance - beginning   | 14,097                  | -            | -             | -                    |
| Fund balance - ending      | \$ -                    | \$ -         | \$ -          | \$ 162,571           |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**HEAD START FUND**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                            | <b>Budgeted Amounts</b> |              | <b>Actual</b> | <b>Variance<br/>Favorable<br/>(Unfavorable)</b> |
|----------------------------|-------------------------|--------------|---------------|-------------------------------------------------|
|                            | <b>Original</b>         | <b>Final</b> |               |                                                 |
| <b>REVENUES</b>            |                         |              |               |                                                 |
| Federal sources            | \$ 1,376,378            | \$ 1,459,645 | \$ 1,455,486  | \$ (4,159)                                      |
| Total revenues             | 1,376,378               | 1,459,645    | 1,455,486     | (4,159)                                         |
| <b>EXPENDITURES</b>        |                         |              |               |                                                 |
| Instruction                | 474,986                 | 464,619      | 464,619       | -                                               |
| Supporting services        | 10,000                  | 10,000       | 9,626         | 374                                             |
| Community services         | 916,860                 | 1,075,381    | 981,241       | 94,140                                          |
| Total expenditures         | 1,401,846               | 1,550,000    | 1,455,486     | 94,514                                          |
| Net change in fund balance | (25,468)                | (90,355)     | -             | 90,355                                          |
| Fund balance - beginning   | 25,468                  | 90,355       | -             | -                                               |
| Fund balance - ending      | \$ -                    | \$ -         | \$ -          | \$ 90,355                                       |

See the accompanying independent auditors' report.

## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES**

## **BOND REDEMPTION FUND**

This fund is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt.

The Bond Redemption Fund is deemed to be a major fund for financial reporting purposes.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**BOND REDEMPTION FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                             | Final<br>Budget            | Actual                     | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------|----------------------------|----------------------------|----------------------------------------|
| <b>REVENUES</b>             |                            |                            |                                        |
| Property taxes              | \$ 1,075,235               | \$ 1,062,304               | \$ (12,931)                            |
| Investment income           | 5,000                      | 16,254                     | 11,254                                 |
|                             | <u>1,080,235</u>           | <u>1,078,558</u>           | <u>(1,677)</u>                         |
| <b>EXPENDITURES</b>         |                            |                            |                                        |
| Debt Service                |                            |                            |                                        |
| Principal                   | 774,850                    | 745,000                    | 29,850                                 |
| Interest and fiscal charges | 208,113                    | 235,903                    | (27,790)                               |
| Reserves                    | 2,037                      | -                          | 2,037                                  |
|                             | <u>985,000</u>             | <u>980,903</u>             | <u>4,097</u>                           |
| Net change in fund balance  | 95,235                     | 97,655                     | 2,420                                  |
| Fund balance - beginning    | <u>1,426,422</u>           | <u>1,426,422</u>           | <u>-</u>                               |
| Fund balance - ending       | <u><u>\$ 1,521,657</u></u> | <u><u>\$ 1,524,077</u></u> | <u><u>\$ 2,420</u></u>                 |

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. These funds may be required by statute or ordinance and others may be established through resolutions by the Board of Education for purposes of better administration. The District has the following Special Revenue Funds:

#### **Food Service Fund**

This fund accounts for all financial activities associated with the District's school lunch program.

#### **Student Activity Fund**

This fund accounts for the transactions of student organizations and clubs.

### **Capital Projects Fund**

Capital Projects Funds are used to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays acquisition or construction of major capital facilities and other capital assets.

#### **Building Fund**

This fund is used to account for all resources available for acquiring capital sites, buildings, and equipment.

#### **Capital Reserve Capital Projects Fund**

This fund is used to account for significant capital expenditures of the District.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

|                                                | <u>Special Revenue Funds</u> |                              | <u>Capital Projects Funds</u> |                                              |                                          |
|------------------------------------------------|------------------------------|------------------------------|-------------------------------|----------------------------------------------|------------------------------------------|
|                                                | <u>Food Service Fund</u>     | <u>Student Activity Fund</u> | <u>Building Fund</u>          | <u>Capital Reserve Capital Projects Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
| <b>ASSETS</b>                                  |                              |                              |                               |                                              |                                          |
| Cash and cash equivalents                      | \$ -                         | \$ 78,671                    | \$ -                          | \$ -                                         | \$ 78,671                                |
| Accounts receivable                            | 78                           | 472                          | -                             | -                                            | 550                                      |
| Grants receivable                              | 7,000                        | -                            | -                             | -                                            | 7,000                                    |
| Due from other funds                           | 39,787                       | -                            | 32,500                        | 400,081                                      | 472,368                                  |
| Inventories                                    | 4,099                        | -                            | -                             | -                                            | 4,099                                    |
|                                                |                              |                              |                               |                                              |                                          |
| Total assets                                   | <u>\$ 50,964</u>             | <u>\$ 79,143</u>             | <u>\$ 32,500</u>              | <u>\$ 400,081</u>                            | <u>\$ 562,688</u>                        |
| <b>LIABILITIES</b>                             |                              |                              |                               |                                              |                                          |
| Accounts payable and other accrued liabilities | \$ -                         | \$ 1,484                     | \$ 4,500                      | \$ 7,013                                     | \$ 12,997                                |
| Accrued salaries and benefits                  | 18,858                       | -                            | -                             | -                                            | 18,858                                   |
| Due to other funds                             | -                            | 159                          | -                             | -                                            | 159                                      |
|                                                |                              |                              |                               |                                              |                                          |
| Total liabilities                              | <u>18,858</u>                | <u>1,643</u>                 | <u>4,500</u>                  | <u>7,013</u>                                 | <u>32,014</u>                            |
| <b>FUND BALANCES</b>                           |                              |                              |                               |                                              |                                          |
| Nonspendable                                   | 4,099                        | -                            | -                             | -                                            | 4,099                                    |
| Assigned for:                                  |                              |                              |                               |                                              |                                          |
| Food service operations                        | 28,007                       | -                            | -                             | -                                            | 28,007                                   |
| Student activities                             | -                            | 77,500                       | -                             | -                                            | 77,500                                   |
| Capital projects                               | -                            | -                            | 28,000                        | 393,068                                      | 421,068                                  |
|                                                |                              |                              |                               |                                              |                                          |
| Total fund balances                            | <u>32,106</u>                | <u>77,500</u>                | <u>28,000</u>                 | <u>393,068</u>                               | <u>530,674</u>                           |
| Total liabilities and fund balances            | <u>\$ 50,964</u>             | <u>\$ 79,143</u>             | <u>\$ 32,500</u>              | <u>\$ 400,081</u>                            | <u>\$ 562,688</u>                        |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                           | <u>Special Revenue Funds</u> |                              | <u>Capital Projects Funds</u> |                                              |                                          |
|-----------------------------------------------------------|------------------------------|------------------------------|-------------------------------|----------------------------------------------|------------------------------------------|
|                                                           | <u>Food Service Fund</u>     | <u>Student Activity Fund</u> | <u>Building Fund</u>          | <u>Capital Reserve Capital Projects Fund</u> | <u>Total Nonmajor Governmental Funds</u> |
| <b>REVENUES</b>                                           |                              |                              |                               |                                              |                                          |
| Local sources                                             | \$ 28,961                    | \$ 88,299                    | \$ 50,000                     | \$ -                                         | \$ 167,260                               |
| State sources                                             | 3,114                        | -                            | -                             | -                                            | 3,114                                    |
| Federal sources                                           | 125,925                      | -                            | -                             | -                                            | 125,925                                  |
|                                                           | <u>158,000</u>               | <u>88,299</u>                | <u>50,000</u>                 | <u>-</u>                                     | <u>296,299</u>                           |
| Total revenues                                            |                              |                              |                               |                                              |                                          |
|                                                           | <u>158,000</u>               | <u>88,299</u>                | <u>50,000</u>                 | <u>-</u>                                     | <u>296,299</u>                           |
| <b>EXPENDITURES</b>                                       |                              |                              |                               |                                              |                                          |
| Instruction                                               | -                            | 62,930                       | -                             | -                                            | 62,930                                   |
| Facilities acquisition and construction                   | -                            | -                            | 22,000                        | 77,388                                       | 99,388                                   |
| Food service operations                                   | 238,046                      | -                            | -                             | -                                            | 238,046                                  |
|                                                           | <u>238,046</u>               | <u>62,930</u>                | <u>22,000</u>                 | <u>77,388</u>                                | <u>400,364</u>                           |
| Total expenditures                                        |                              |                              |                               |                                              |                                          |
|                                                           | <u>238,046</u>               | <u>62,930</u>                | <u>22,000</u>                 | <u>77,388</u>                                | <u>400,364</u>                           |
| Excess (deficiency) of revenues over (under) expenditures | <u>(80,046)</u>              | <u>25,369</u>                | <u>28,000</u>                 | <u>(77,388)</u>                              | <u>(104,065)</u>                         |
| <b>OTHER FINANCING SOURCES (USES)</b>                     |                              |                              |                               |                                              |                                          |
| Transfer in (out)                                         | 60,000                       | -                            | -                             | 150,980                                      | 210,980                                  |
|                                                           | <u>60,000</u>                | <u>-</u>                     | <u>-</u>                      | <u>150,980</u>                               | <u>210,980</u>                           |
| Total other financing sources (uses)                      |                              |                              |                               |                                              |                                          |
|                                                           | <u>60,000</u>                | <u>-</u>                     | <u>-</u>                      | <u>150,980</u>                               | <u>210,980</u>                           |
| Net change in fund balances                               | <u>(20,046)</u>              | <u>25,369</u>                | <u>28,000</u>                 | <u>73,592</u>                                | <u>106,915</u>                           |
| Fund balances - beginning                                 | 52,152                       | 52,131                       | -                             | 319,476                                      | 423,759                                  |
|                                                           | <u>52,152</u>                | <u>52,131</u>                | <u>-</u>                      | <u>319,476</u>                               | <u>423,759</u>                           |
| Fund balances - ending                                    | <u>\$ 32,106</u>             | <u>\$ 77,500</u>             | <u>\$ 28,000</u>              | <u>\$ 393,068</u>                            | <u>\$ 530,674</u>                        |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**FOOD SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                      | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------------------------|------------------|------------------|----------------------------------------|
| <b>REVENUES</b>                                      |                  |                  |                                        |
| Local sources                                        | \$ 28,961        | \$ 28,961        | \$ -                                   |
| State sources                                        | 3,353            | 3,114            | (239)                                  |
| Federal sources                                      | 129,911          | 125,925          | (3,986)                                |
|                                                      | <u>162,225</u>   | <u>158,000</u>   | <u>(4,225)</u>                         |
| <b>EXPENDITURES</b>                                  |                  |                  |                                        |
| Food service operations                              | 215,000          | 238,046          | (23,046)                               |
|                                                      | <u>215,000</u>   | <u>238,046</u>   | <u>(23,046)</u>                        |
| Excess (deficiency) of<br>revenues over expenditures | <u>(52,775)</u>  | <u>(80,046)</u>  | <u>(27,271)</u>                        |
| <b>OTHER FINANCING SOURCES (USES)</b>                |                  |                  |                                        |
| Transfers in (out)                                   | 60,000           | 60,000           | -                                      |
|                                                      | <u>7,225</u>     | <u>(20,046)</u>  | <u>(27,271)</u>                        |
| Net change in fund balance                           |                  |                  |                                        |
| Fund balance - beginning                             | 52,152           | 52,152           | -                                      |
| Fund balance - ending                                | <u>\$ 59,377</u> | <u>\$ 32,106</u> | <u>\$ (27,271)</u>                     |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**STUDENT ACTIVITY FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                            | Final<br>Budget  | Actual           | Variance<br>Favorable<br>(Unfavorable) |
|----------------------------|------------------|------------------|----------------------------------------|
| <b>REVENUES</b>            |                  |                  |                                        |
| Local sources              | \$ 88,518        | \$ 88,299        | \$ (219)                               |
| Total revenues             | 88,518           | 88,299           | (219)                                  |
| <b>EXPENDITURES</b>        |                  |                  |                                        |
| Instruction                | 65,000           | 62,930           | 2,070                                  |
| Total expenditures         | 65,000           | 62,930           | 2,070                                  |
| Net change in fund balance | 23,518           | 25,369           | 1,851                                  |
| Fund balance - beginning   | 52,131           | 52,131           | -                                      |
| Fund balance - ending      | <u>\$ 75,649</u> | <u>\$ 77,500</u> | <u>\$ 1,851</u>                        |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1  
BUILDING FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2018**

|                                         | Final<br>Budget | Actual    | Variance<br>Favorable<br>(Unfavorable) |
|-----------------------------------------|-----------------|-----------|----------------------------------------|
| <b>REVENUES</b>                         |                 |           |                                        |
| Local sources                           | \$ 50,000       | \$ 50,000 | \$ -                                   |
| Total revenues                          | 50,000          | 50,000    | -                                      |
| <b>EXPENDITURES</b>                     |                 |           |                                        |
| Facilities acquisition and construction | 50,000          | 22,000    | 28,000                                 |
| Total expenditures                      | 50,000          | 22,000    | 28,000                                 |
| Net change in fund balance              | -               | 28,000    | 28,000                                 |
| Fund balance - beginning                | -               | -         | -                                      |
| Fund balance - ending                   | \$ -            | \$ 28,000 | \$ 28,000                              |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**CAPITAL RESERVE CAPITAL PROJECTS FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                                                      | Final<br>Budget | Actual     | Variance<br>Favorable<br>(Unfavorable) |
|------------------------------------------------------|-----------------|------------|----------------------------------------|
| <b>REVENUES</b>                                      |                 |            |                                        |
| Local sources                                        | \$ -            | \$ -       | \$ -                                   |
| Total revenues                                       | -               | -          | -                                      |
| <b>EXPENDITURES</b>                                  |                 |            |                                        |
| Facilities acquisition and construction              | 150,980         | 77,388     | 73,592                                 |
| Total expenditures                                   | 150,980         | 77,388     | 73,592                                 |
| Excess (deficiency) of<br>revenues over expenditures | (150,980)       | (77,388)   | 73,592                                 |
| <b>OTHER FINANCING<br/>SOURCES (USES)</b>            |                 |            |                                        |
| Transfers in                                         | 150,980         | 150,980    | -                                      |
| Total other financing sources (uses)                 | 150,980         | 150,980    | -                                      |
| Net change in fund balance                           | -               | 73,592     | 73,592                                 |
| Fund balance - beginning                             | -               | 319,476    | 319,476                                |
| Fund balance - ending                                | \$ -            | \$ 393,068 | \$ 393,068                             |

See the accompanying independent auditors' report.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity. The District has the following Fiduciary Fund:

### **Private Purpose Trust Scholarship Fund**

This fund was created to account for scholarships.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION**  
**BUDGET AND ACTUAL**  
**PRIVATE-PURPOSE TRUST FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

|                          | Final<br>Budget | Actual   | Variance<br>Favorable<br>(Unfavorable) |
|--------------------------|-----------------|----------|----------------------------------------|
| <b>ADDITIONS</b>         |                 |          |                                        |
| Investment income        | \$ 5            | \$ 1     | \$ (4)                                 |
| Total additions          | 5               | 1        | (4)                                    |
| <b>DEDUCTIONS</b>        |                 |          |                                        |
| Scholarship awards       | 5               | -        | 5                                      |
| Total deductions         | 5               | -        | 5                                      |
| Change in net position   | -               | 1        | 1                                      |
| Net position - beginning | 5,332           | 5,332    | -                                      |
| Net position - ending    | \$ 5,332        | \$ 5,333 | \$ 1                                   |

See the accompanying independent auditors' report.

## **EXPENDITURES OF FEDERAL AWARDS**

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

| <b>Federal Grantor/Pass-Through<br/>Grantor/Program or Cluster Title</b> | <b>Federal<br/>CFDA<br/>Number</b> | <b>Pass-Through<br/>Entity<br/>Identifying<br/>Number</b> | <b>Passed<br/>Through to<br/>Subrecipients</b> | <b>Federal<br/>Expenditures</b> |
|--------------------------------------------------------------------------|------------------------------------|-----------------------------------------------------------|------------------------------------------------|---------------------------------|
| <b>U.S. Department of Agriculture</b>                                    |                                    |                                                           |                                                |                                 |
| <i>Child Nutrition Cluster</i>                                           |                                    |                                                           |                                                |                                 |
| Passed Through Colorado Department of Education                          |                                    |                                                           |                                                |                                 |
| National School Lunch Program                                            | 10.555                             | 4555                                                      | \$ -                                           | \$ 78,734                       |
| School Breakfast Program                                                 | 10.553                             | 4553                                                      |                                                | 29,466                          |
| Passed Through Colorado Department of Human Services                     |                                    |                                                           |                                                |                                 |
| National School Lunch Program                                            | 10.555                             | 4555                                                      |                                                | 10,725                          |
| <i>Total Child Nutrition Cluster</i>                                     |                                    |                                                           |                                                | 118,925                         |
| Passed Through Colorado Department of Education                          |                                    |                                                           |                                                |                                 |
| Child Nutrition Discretionary Grants                                     | 10.579                             | 5579                                                      |                                                | 7,000                           |
| Total U.S. Department of Agriculture                                     |                                    |                                                           |                                                | 125,925                         |
| <b>U.S. Department of Education</b>                                      |                                    |                                                           |                                                |                                 |
| Direct Programs                                                          |                                    |                                                           |                                                |                                 |
| Rural Education                                                          | 84.358                             | 4358                                                      |                                                | 14,077                          |
| Passed Through Colorado Department of Education                          |                                    |                                                           |                                                |                                 |
| No Child Left Behind, Title I, Part A                                    | 84.010                             | 4010                                                      |                                                | 92,607                          |
| Quality Teacher, Title II, Part A                                        | 84.367                             | 4367                                                      |                                                | 14,479                          |
| Race to the Top                                                          | 84.412                             | 5412                                                      |                                                | 398                             |
| Student Support and Academic Enrichment Program                          | 84.424                             | 4424                                                      |                                                | 10,000                          |
| Passed Through Colorado Community College System                         |                                    |                                                           |                                                |                                 |
| Career and Technical Education                                           | 84.048                             | 4048                                                      |                                                | 7,774                           |
| Total U.S. Department of Education                                       |                                    |                                                           |                                                | 139,335                         |
| <b>U.S. Department of Health and Human Services</b>                      |                                    |                                                           |                                                |                                 |
| Direct Programs                                                          |                                    |                                                           |                                                |                                 |
| Head Start                                                               | 93.600                             | 8600                                                      |                                                | 1,455,486                       |
| <b>Total Federal Awards</b>                                              |                                    |                                                           | \$ -                                           | \$ 1,720,746                    |

See the accompanying independent auditors' report.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**NOTE 1 – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of Cripple Creek - Victor School District RE-1 under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Cripple Creek - Victor School District RE-1, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Cripple Creek - Victor School District RE-1.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Pass-through entity identifying numbers are presented where available.

**NOTE 3 – INDIRECT COST RATE**

Cripple Creek - Victor School District RE-1 has elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE 4 – NON-CASH ASSISTANCE**

During the year end June 30, 2018, Cripple Creek - Victor School District RE-1 received \$10,725 in non-cash assistance in the form of food commodities. Commodities are valued at current market value at the time of receipt.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education  
Cripple Creek - Victor School District RE-1

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cripple Creek - Victor School District RE-1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Cripple Creek - Victor School District RE-1's basic financial statements, and have issued our report thereon dated February 6, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Cripple Creek - Victor School District RE-1's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Cripple Creek - Victor School District RE-1's internal control. Accordingly, we do not express an opinion on the effectiveness of Cripple Creek - Victor School District RE-1's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses: 2018-002 and 2018-003.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies: 2018-001.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Cripple Creek - Victor School District RE-1's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 6, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education  
Cripple Creek - Victor School District RE-1

**Report on Compliance for Each Major Federal Program**

We have audited Cripple Creek - Victor School District RE-1's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Cripple Creek - Victor School District RE-1's major federal programs for the year ended June 30, 2018. Cripple Creek - Victor School District RE-1's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Cripple Creek - Victor School District RE-1's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Cripple Creek - Victor School District RE-1's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Cripple Creek - Victor School District RE-1's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Cripple Creek - Victor School District RE-1, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

## Report on Internal Control Over Compliance

Management of Cripple Creek - Victor School District RE-1 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Cripple Creek - Victor School District RE-1's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Cripple Creek - Victor School District RE-1's internal control over compliance.

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

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

### Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 6, 2019

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Section I—Summary of Auditors' Results

*Financial Statements*

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☒ yes ☐ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

*Federal Awards*

Internal control over major programs?

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ yes ☒ no

Identification of major programs:

|                       |                                           |
|-----------------------|-------------------------------------------|
| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|-------------------------------------------|

|             |            |
|-------------|------------|
| CFDA 93.600 | Head Start |
|-------------|------------|

|                                                                          |           |
|--------------------------------------------------------------------------|-----------|
| Dollar threshold used to distinguish between type A and type B programs? | \$750,000 |
|--------------------------------------------------------------------------|-----------|

Auditee qualified as low-risk auditee? ☐ yes ☒ no

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Section II—Financial Statement Findings

2018-001 Segregation of Duties

*Criteria:* Financial reporting duties involving the recording, reconciliation and review of financial information should be segregated between staff members.

*Condition:* Significant improvements have been made in the segregation of duties since the 2017 fiscal year. However, certain procedures involving the recording, reconciliation and review of financial information were not completely segregated during the year.

*Context:* This finding was noted during procedures to understand and test control procedures.

*Effect:* Risk of misstatement due to error or fraud.

*Cause:* Limitations of staff availability.

*Recommendation:* We recommend management continue their efforts to ensure that an appropriate individual, other than the individual responsible for preparing reconciliations, review and sign off on bank reconciliations, verifying that outstanding items are regularly cleared and that the reconciled balance agrees to the general ledger.

*Management response:* Management will segregate duties where possible and will consider implementing compensating controls where segregation is not possible.

2018-002 Basis of Accounting—Grants

*Criteria:* Financial statements of the governmental activities should be prepared on the modified accrual basis of accounting.

*Condition:* Significant improvements have been made to ensure transactions are recorded using the correct basis of accounting since the 2017 fiscal year, with the current year finding primarily being limited to recording grant activities. While the year-end audited financial statements are prepared on the accrual basis, the grant activities are maintained on the cash basis of accounting.

*Context:* This condition was noted through audit procedures performed to test grant activity balances at year-end.

*Effect:* Grant receivables, unearned revenues, and revenues were misstated at year-end.

*Cause:* Lack of procedures requiring the grant activities to be maintained on the modified accrual basis of accounting.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2018**

Section II—Financial Statement Findings (Continued)

2018-002 Basis of Accounting - Grants (Continued)

*Recommendation:* We recommend that management implement procedures to ensure that grant activities are maintained on the modified accrual basis of accounting throughout the year. If staffing resources do not enable the District to implement the modified accrual basis throughout the year, we recommend that finance staff prepared year-end workpapers for balances sheet accounts requiring accrual for posting to the general ledger.

*Management response:* The District is evaluating its current procedures and will implement the above recommendations to the extent that staffing resources allow.

2018-003 Closing Procedures

*Criteria:* In order to provide accurate and timely accounting information, effective review and reconciliation policies are a critical part of the accounting process. A closing process should be in place that requires all balance sheet and other significant accounts in each fund be reconciled to supporting schedules.

*Condition:* Preparation for the audit was improved from fiscal year 2017. There is also an overall better understanding of the new general ledger software. However, we noted that financial information included errors in certain balance sheet accounts and other significant accounts that warrant additional attention to monitoring and closing processes. These errors caused misstatements on both the balance sheet and the statement of revenues, expenditures, and changes in fund balance in most funds.

*Context:* This finding was noted during substantive testing of balance sheet and other significant accounts.

*Effect:* Misstated balances in balance sheet and other significant accounts in most funds.

*Cause:* Lack of effective closing procedures.

*Recommendation:* We recommend that management continue to implement closing procedures that require all balance sheet accounts be reconciled to supporting schedules and subsidiary ledgers. We also recommend that a management level employee perform a thorough and detailed review of the financial statements and supporting schedules on a monthly basis and at year end.

*Management response:* Management will continue to implement procedures that provide for improved closing processes and a more thorough review of financial statements and supporting schedules as staffing allows.

Section III—Findings and Questioned Costs for Federal Awards

No findings reported.

**CRIPPLE CREEK - VICTOR SCHOOL DISTRICT RE-1  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2018**

The Summary Schedule of Prior Audit Findings (the Summary) summarizes the status of the audit findings reported in the Cripple Creek - Victor School District RE-1 Schedule of Findings and Questioned Costs for the year ended June 30, 2017. If the prior audit finding was fully addressed, the Summary indicates that the corrective action described in the prior audit report was taken or that corrective action is no longer needed. Otherwise, the Summary references the page number of the June 30, 2018 single audit report where a repeat recommendation, description of the planned corrective action, or reason for not implementing the recommendation is presented.

| <u>Finding<br/>Number</u> | <u>CFDA<br/>Number</u> | <u>Program/<br/>Cluster Title</u> | <u>Finding</u>        | <u>Status of<br/>Finding</u>                                          |
|---------------------------|------------------------|-----------------------------------|-----------------------|-----------------------------------------------------------------------|
| 2017-001                  | N/A                    | N/A                               | Segregation of Duties | Partially corrected.<br>Reported as finding<br>2018-001. See page 66. |
| 2017-002                  | N/A                    | N/A                               | Basis of Accounting   | Partially corrected.<br>Reported as finding<br>2018-002. See page 66. |
| 2017-003                  | N/A                    | N/A                               | Closing Procedures    | Partially corrected.<br>Reported as finding<br>2018-003. See page 67. |

**COLORADO SCHOOL DISTRICT/BOCES AUDITORS'  
DATA INTEGRITY REPORT**



**INDEPENDENT AUDITORS' REPORT ON  
COLORADO SCHOOL DISTRICT/BOCES  
AUDITOR'S INTEGRITY REPORT**

To the Board of Education  
Cripple Creek - Victor School District RE-1

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Cripple Creek - Victor School District RE-1, as of and for the year ended June 30, 2018, which collectively comprise Cripple Creek - Victor School District RE-1's basic financial statements, and our report thereon dated February 6, 2019, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cripple Creek - Victor School District RE-1's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
February 6, 2019



Colorado Department of Education  
Auditors Integrity Report  
District: 3010 - CRIPPLE CREEK-VICTOR RE-1  
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 |
|---------------------------------------------------------|------------------------------------------|--------------------------------------------|-------------------------------------------|-------------------------------------------------------|
| Governmental                                            | +                                        |                                            | -                                         | =                                                     |
| 10 General Fund                                         | 2,203,962                                | 4,688,604                                  | 4,654,405                                 | 2,238,161                                             |
| 18 Risk Mgmt Sub-Fund of General Fund                   | 0                                        | 0                                          | 0                                         | 0                                                     |
| 19 Colorado Preschool Program Fund                      | 0                                        | 211,595                                    | 204,927                                   | 6,669                                                 |
| Sub- Total                                              | 2,203,962                                | 4,900,199                                  | 4,859,332                                 | 2,244,829                                             |
| 11 Charter School Fund                                  | 0                                        | 0                                          | 0                                         | 0                                                     |
| 20,26-29 Special Revenue Fund                           | 0                                        | 1,455,486                                  | 1,455,486                                 | 0                                                     |
| 06 Supplemental Cap Const, Tech, Main. Fund             | 0                                        | 0                                          | 0                                         | 0                                                     |
| 21 Food Service Spec Revenue Fund                       | 52,152                                   | 218,000                                    | 238,046                                   | 32,106                                                |
| 22 Govt Designated-Purpose Grants Fund                  | 0                                        | 162,571                                    | 162,571                                   | 0                                                     |
| 23 Pupil Activity Special Revenue Fund                  | 52,131                                   | 88,299                                     | 62,930                                    | 77,500                                                |
| 24 Full Day Kindergarten Mill Levy Override             | 0                                        | 0                                          | 0                                         | 0                                                     |
| 25 Transportation Fund                                  | 0                                        | 0                                          | 0                                         | 0                                                     |
| 31 Bond Redemption Fund                                 | 1,426,422                                | 1,078,558                                  | 980,903                                   | 1,524,077                                             |
| 39 Certificate of Participation (COP) Debt Service Fund | 0                                        | 0                                          | 0                                         | 0                                                     |
| 41 Building Fund                                        | 0                                        | 50,000                                     | 22,000                                    | 28,000                                                |
| 42 Special Building Fund                                | 0                                        | 0                                          | 0                                         | 0                                                     |
| 43 Capital Reserve Capital Projects Fund                | 319,476                                  | 150,980                                    | 77,388                                    | 393,068                                               |
| 46 Supplemental Cap Const, Tech, Main Fund              | 0                                        | 0                                          | 0                                         | 0                                                     |
| Totals                                                  | 4,054,143                                | 8,104,092                                  | 7,858,655                                 | 4,299,580                                             |
| Proprietary                                             |                                          |                                            |                                           |                                                       |
| 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                                                     |
| Totals                                                  | 0                                        | 0                                          | 0                                         | 0                                                     |
| Fiduciary                                               |                                          |                                            |                                           |                                                       |
| 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                           | 5,332                                    | 1                                          | 0                                         | 5,333                                                 |
| 79 GASB 34:Permanent Fund                               | 0                                        | 0                                          | 0                                         | 0                                                     |
| 85 Foundations                                          | 0                                        | 0                                          | 0                                         | 0                                                     |
| Totals                                                  | 5,332                                    | 1                                          | 0                                         | 5,333                                                 |

FINAL