HINSDALE COUNTY SCHOOL DISTRICT RE-1

FINANCIAL STATEMENTS AND REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

C O N T E N T S

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

January 21, 2019

The Board of Education
Hinsdale County School District RE-1
Lake City, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of Hinsdale County School District RE-1 (the District) 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.

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hinsdale County 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.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of activity – net pension liability, and schedule of activity – employer pension contributions, the schedules for other postemployment benefits and the budget to actual schedules for the general fund and food service fund 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Hinsdale County School District RE-1's basic financial statements. The budgetary comparison schedule for the debt service fund, and the Auditors Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

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HINSDALE COUNTY SCHOOL DISTRICT RE-1
Management's Discussion and Analysis
For the fiscal year ended June 30, 2018

Management's Discussion and Analysis

As management of Hinsdale County School District RE-1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

Financial Highlights

- Due to the change in accounting principles the district reports the pension liability and the health care liability and this caused liabilities to exceed assets in 2018 by $818,469 in the statement of net position. In 2017 assets still exceeded liabilities by $262,268.

- General revenues accounted for $1,820,694 and $1,664,142, and grants and charges for services were $231,401 and $131,987 for 2018 and 2018 respectively.

- Fund balance in the General Fund increased by $258,582 in 2018 and decreased by $205,011 in 2017.

- At the end of the fiscal years 2018 and 2017 unassigned fund balance in the General fund was $1,444,205 and $1,310,211 respectively.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, business services, maintenance and capital asset services, transportation services, central, and community services.

The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 9-10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Funds are divided into three categories: governmental funds, proprietary funds and fiduciary funds. The District uses only governmental funds.

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

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

The District maintains three individual governmental funds at the end of fiscal year 2018. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Bond Redemption Debt Service Fund, and the Food Service Fund these three are considered to be the major funds.

The District adopts an annual appropriated budget for all funds. In 2018 the Food Service fund was not in place until after the school year began so no budget was assigned separately from the the general fund. A budgetary comparison statement has been provided for the general fund and the debt service fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

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

District-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceed assets by $818,469 and assets exceed liabilities by $262,269 at the close of the 2018 and 2017 fiscal years respectively.

One of the largest portions of the District's net position ($2,054,621) reflects its investment in capital assets (e.g., land, buildings, improvements and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

The other large portion of net position is the District's net pension liability and the other post employment liability for the health care trust fund for employees covered under PERA. This net liability is $6,483,597 at June 30, 2018.

HINSDALE COUNTY SCHOOL DISTRICT RE-1 - Net Position

	Activities 2018	Activities 2017
Assets		
Current and other assets	$ 2,035,503	$ 1,826,982
Capital assets	2,384,621	2,428,542
Total assets	4,420,124	4,255,524
Deferred outlfows of resources	1,971,177	2,232,916
Liabilities		
Long-term debt	330,000	405,000
Pension liabilities	6,483,597	5,636,353
Other liabilities	134,549	159,352
Total liabilities	6,948,146	6,200,705
Deferred inflows of resources	261,624	25,467
Net position		
Net investment in capital assets	2,054,621	2,023,542
Restricted	286,385	279,663
Unrestricted	(3,159,475)	(2,040,937)
Total net position	$ (818,469)	$ 262,268

A portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

There was a decrease in long-term liabilities outstanding of $75,000 in fiscal year 2018, due to payment of debt obligations with no new issuances.

The drastic change in net position is due to the change in reporting of pension liabilities. This change in the reporting cost the district $1,080,737 in net position. That change in reporting was somewhat offset by an increase in fund balance of $258,582 that included $124,588 collected in 2018 but committed for the 2019 budget. This was also balanced by the increases in net investment and the decrease in long-term debt.

HINSDALE COUNTY SCHOOL DISTRICT RE-1 Change in Net Position

	Governmental Activities 2018	Governmental Activities 2017
Revenues:		
Program revenues:		
Operating grants and contributions	$ 212,729	$ 120,327
Charges for sales and service	18,672	11,660
General revenue:		
Property taxes	1,016,960	1,146,456
State equalization not restricted to specific programs	393,069	400,883
Specific ownership taxes	79,196	81,011
Secure rural schools		-
Unrestricted investment earnings	15,362	8,607
Gain on sale of assets		-
Other unrestricted revenue	316,107	27,185
Total revenues	2,052,095	1,796,129
Expenses		
Instructional services	986,537	1,147,101
Pupil services	238,225	233,038
General administrative services	1,440,800	1,081,232
Business services	61,912	62,098
Operations and maintenance	128,131	174,313
Pupil transportation	68,524	60,620
Community service	9,760	3,402
Central support and other services	12,970	17,872
Food service	32,151	-
Interest on long-term debt	19,110	22,809
Total expense	2,998,120	2,802,485
Increase (decrease) in net position	(946,025)	(1,006,356)
Beginning net position	262,268	1,268,624
Change in accounting principle	(134,712)	-
Beginning net position, restated	127,556	1,268,624
Ending net position	$ (818,469)	$ 262,268

The District received payments for Secure and Rural Schools in 2018 of $185,888 of this amount $61,300 was due from a prior period and $124,588 is committed for 2019.

The district started the federal lunch program in 2018. This program was catered by a local business and began in September of the school year. The local business has since gone out of business and no federal lunch program is in place for 2019.

Capital Asset and Debt Administration

Capital assets - The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to $2,384,621 (net of accumulated depreciation). This investment in capital assets includes land and improvements such as parking lots and sidewalks, buildings and improvements, and equipment.

Capital Assets
(net of depreciation)

	Governmental 2018	Governmental 2017
Land and construction in progress	$ 686,175	$ 669,975
Buildings and building improvements	1,648,710	1,688,000
Tranportation equipment	49,736	69,726
Equipment	-	841
Total	$ 2,384,621	$ 2,428,542

Long-term debt. At the end of the current fiscal year, the District had total outstanding debt of $330,000 all of which represents general obligation bonds that are backed by the full faith and credit of the District.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current debt limitation for the District is significantly in excess of the District's outstanding general obligation debt.

Pension and OPEB Liability

During the year ended June 30, 2015, the District implemented GASB 68, Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27. During the year ended June 30, 2018, the District implemented GASB 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This resulted in an increase in liabilities for the District who now shows $6,338,843 for its share of the combined net pension liability and other post employment liability for PERA and the Health Care Trust Fund at year end.

Coming Year

The voters in Hinsdale County approved a bond in November of 2018 in the amount of $3,950,000 in addition to a best grant of $9,443,483 and a contribution from the schools fund balance of $97,207 for a project cost of $13,490,690. The project consists of upgrading safety and security concerns at the existing building, a remodel and addition of classroom space and a gym. The start of the construction should be in May of 2019. RTA architects and NV5 consultants have been hired to do the drawings and be the owner's representative for the project respectively. The district is working with George K. Baum for the sale of the bonds which will occur in January of 2019.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Susan Thompson
Business Manager
Hinsdale County School District Re-1
Po Box 39,
Lake City, CO 81235

HINSDALE COUNTY SCHOOL DISTRICT RE-1

STATEMENT OF NET POSITION

June 30, 2018

		Primary Government
		Governmental Activities
Assets		
Cash and cash equivalents	$	1,760,950
Property taxes receivable		209,263
Other receivables		65,290
Capital Assets:		
Land and improvements not being depreciated		633,903
Construction in progress		52,272
Buildings and improvements		2,288,402
Equipment		29,514
Transportation Equipment		221,527
Less: Accumulated depreciation		(840,997)
Total assets		4,420,124
DEFERRED OUTFLOWS OF RESOURCES		
Outflows related to pension liability		1,961,711
Outflows related to OPEB obligation		9,466
Total deferred outflows of resources		1,971,177
LIABILITIES		
Accounts payable and accrued expenses		134,549
Long-term liabilities:		
Current portion of long-term debt		75,000
Net Pension Liability		6,338,842
Net OPEB Obligation		144,755
Due in more than one year		255,000
Total liabilities		6,948,146
DEFERRED INFLOWS OF RESOURCES		
Inflows related to pension obligation		259,202
Inflows related to OPEB obligation		2,422
Total deferred inflows of resources		261,624
NET POSITION		
Invested in capital assets, net of related debt		2,054,621
Restricted for:		
TABOR Reserve		61,300
Debt Service		225,085
Unrestricted		(3,159,475)
Total net position	$	(818,469)

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Expenses	Charges for Service and Sales	Operating Grants and Contributions	Net (expenses) revenues and changes in net position — Primary government — Governmental Activities
Primary government:				
Governmental activities				
Instructional Services	$ 986,537	$ 2,752	$ 90,635	$ (893,150)
Supporting Services:				
Pupil services	238,225	-	-	(238,225)
Business services	61,912	-	111,824	49,912
General and school administration	1,440,800	-	-	(1,440,800)
Community services	9,760	-	-	(9,760)
Central support and other services	12,970	-	-	(12,970)
Operations and maintenance	128,131	-	-	(128,131)
Pupil transportation	68,524	-	968	(67,556)
Food Service	32,151	15,920	9,302	(6,929)
Interest on long-term debt	19,110	-	-	(19,110)
Total governmental activities	$ 2,998,120	$ 18,672	$ 212,729	(2,766,719)

General Revenue	
Taxes:	
Property taxes	1,016,960
State equalization not restricted to specific programs	393,069
Specific ownership taxes	79,196
Unrestricted investment earnings	15,362
Other unrestricted revenues	316,107
	1,820,694
Change in net position	(946,025)
Net position, beginning of year	262,268
Change in accounting principle	(134,712)
Net position, beginning of year, restated	127,556
Net position, end of year	$ (818,469)

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Debt Service	Food Service	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 1,536,526	$ 210,753	$ 13,671	$ 1,760,950
Property tax receivable	191,102	18,163	-	209,265
Intergovernmental receivable	-	-	2,224	2,224
Due from other funds	15,895	-	-	15,895
Other receivables	63,066	-	-	63,066
Total assets	1,806,589	228,916	15,895	2,051,400
Liabilities:				
Salaries payable	106,576	-	-	106,576
Due to other funds	-	-	15,895	15,895
Unearned revenues	27,973	-	-	27,973
Total liabilities	134,549	-	15,895	150,444
Deferred inflows of resources				
Deferred property tax revenue	41,947	3,831	-	45,778
Total deferred inflows	41,947	3,831	-	45,778
Fund balances				
Restricted for:				
Tabor reserve	61,300	-	-	61,300
Debt service	-	225,085	-	225,085
Committed for 2019 budget	124,588	-	-	124,588
Unassigned	1,444,205	-	-	1,444,205
Total fund balances	$ 1,630,093	$ 225,085	$ -	$ 1,855,178

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2018

Total fund balance, governmental funds		$ 1,855,178
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property taxes receivable in the funds that are not received within the 60 day window or reported as deferred inflows in the funds but as property tax revenue in the government wide statement of activities		45,777
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		
Cost of capital assets	3,225,618	
Less accumulated depreciation	(840,997)	2,384,621
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long term liabilities at year-end consist of:		
Net Pension Liability	(6,338,843)	
Deferred inflows related to pension	(259,202)	
Deferred outflows related to pension	1,961,711	
Net OPEB Obligation	(144,755)	
Deferred inflows related to OPEB	(2,422)	
Deferred outflows related to OPEB	9,466	
General obligation bonds	(330,000)	(5,104,045)
Net position of governmental activities		$ (818,469)

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2018

	General Fund	Debt Service	Food Service	Total Governmental Funds
Revenues				
Property taxes	$ 964,432	$ 92,269	$ -	$ 1,056,701
Specific ownership taxes	72,439	6,757	-	79,196
Equalization (net)	393,069	-	-	393,069
Grant income	384,177	-	9,302	393,479
Investment earnings	12,906	2,456	-	15,362
Transportation	968	-	-	968
Other local revenue	129,380	-	15,920	145,300
Total revenues	1,957,371	101,482	25,222	2,084,075
Expenditures				
Current:				
Instructional services	947,248	-	-	947,248
Instructional support	238,225	-	-	238,225
Business services	61,262	650	-	61,912
General and school administration	230,371	-	-	230,371
Transportation	47,693	-	-	47,693
Operations and maintenance	127,653	-	-	127,653
Community service	9,760			9,760
Central and other support services	12,970	-	-	12,970
Food service	-	-	32,151	32,151
Capital outlay	16,678	-	-	16,678
Debt service				
Principal	-	75,000	-	75,000
Interest	-	19,110	-	19,110
Total expenditures	1,691,860	94,760	32,151	1,818,771
Excess (deficiency) of revenues over (under) expenditures	265,511	6,722	(6,929)	265,304
Other financing sources (uses)				
Transfer to other funds	(6,929)	-	-	(6,929)
Transfer from other funds	-	-	6,929	6,929
Total other financing sources (uses)	(6,929)	-	6,929	-
Excess (deficiency) of revenues over (under) expenditures and other financing sources (uses)	258,582	6,722	-	265,304
Fund balance, beginning of year	1,371,511	218,363	-	1,589,874
Fund balance, end of year	$ 1,630,093	$ 225,085	$ -	$ 1,855,178

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

HINSDALE COUNTY SCHOOL DISTRICT RE-1

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Net change in fund balances - total governmental funds		$ 265,304
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	$ 16,200	
Depreciation expense	(60,121)	(43,921)
In the governmental funds, expenditures for the defined benefit plan are measured by the amount of financial resources used (essentially, the amounts actually paid to the Public Employee Retirement Association), whereas in the statement of activities, they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension liability (increased) expense in the current year.		(1,207,430)
In the governmental funds, expenditures for the OPEB plan (HCTF) are measured by the amount of financial resources used (essentially, the amounts actually paid to the Public Employee Retirement Association), whereas in the statement of activities, they are measured as the liability is accrued according to actuarial estimates. This is the amount the net OPEB obligation (increased) expense in the current year.		(2,999)
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.		(31,979)
Governmental funds report bond payments as current year expenditures however, in the government -wide statements these payments are reported as reductions of long-term liabilities. This is the amount of principal payments on bonds in the current year.		75,000
Change in net position of governmental activities		$ (946,025)

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hinsdale County School District RE-1 (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the District's significant accounting policies:

1. <u>The Reporting Entity</u>

The District is governed by a five member Board of Education and is organized and operates in accordance with Colorado Statutes. Board of Education members are elected by the citizens of Hinsdale County, not appointed by any other governing body. The Board selects the superintendent of schools and senior level administrators. The Board is solely responsible for the District's budget adoption process. The District independently issues debt for short and long-term financing. The District meets the criteria of a primary government: its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity and does not include any component units.

2. <u>Government-wide and Fund Financial Statements</u>

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 unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District has no business-type activities.

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

If needed, separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements when they exist. Currently, the District does not have any non-major or proprietary funds.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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 current period or soon enough thereafter to pay liabilities of the current 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.

Property taxes, grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government 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 *Food Service Fund* is a special revenue fund used to account for the nutrition services program at the school and the federal funds that support the program.

The *Bond Redemption Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the District.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

Amounts reported as program revenues include 1) charges to students and customers for tuition, fees, rental or services 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 property taxes.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities and Net Position or Equity

Cash and Investments

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

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, banker's acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, and guaranteed investment contracts.

Receivables and Payables

Interfund receivables and payables, if any, result from overdraws of the cash and investment pool. These outstanding balances between funds are reported as "due to/from other funds."

Property taxes are levied in December and attach as a lien on property the following January 1. They are payable in full by April 30, or in two equal installments due February 28 and June 15. Property taxes previously levied and collected in the following year are reported as a receivable at June 30, net of an estimated uncollectible portion. In the fund financial statements, the portion of the property taxes receivable not collected within 60 days after June 30 are recorded as a deferred inflow of resources, since such tax collections are not available to pay liabilities of the fiscal year ended June 30.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The District has no reportable infrastructure.

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

Assets	Years
Land improvements	15
Buildings and building improvements	75
Vehicles	10
Equipment	5

Future Compensated Absences

The District's professional staff generally works on a contract basis that provides for an agreed number of working days each year. There is no specific provision in the personnel policies for paid vacation days.

The personnel policies detail several circumstances requiring leaves of absences including sick leave, personal leave, emergency leave, family illness and termination. The District has no liability for such absences at June 30, 2018.

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

In the fund financial statements, governmental fund types recognize debt premium and discounts, as well as bond 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 financial 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.

5. Stewardship, compliance and accountability

Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP, with two exceptions. The June 30 accrual for unpaid salaries and severance pay in the General Fund is not budgeted. Property tax revenue received from the County treasurer in July and August is not budgeted in the funds.

In June, the Board of Education adopts the budget for the following fiscal year. The District submits it's adopted (revised) budget to the CDE on or before January 31 in the approved format. The Board may amend or adopt supplemental budgets during the budget year

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Education. At year-end, all appropriations lapse in accordance with Colorado statutes. The District exceeded budgeted expenditures in the food service fund by $32,151 in 2018. The District budgeted for food service costs in the general fund but did not amend the budget to recognize them in the food service fund.

Budgetary basis of accounting

Appropriated budgets are adopted by the Board of Education for the General and Bond Redemption funds. All budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

7. Pensions

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

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

8. Adoption of GASB 75

For the year ended June 30, 2018, the District adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

9. Defined Benefit Other Post Employment Benefit Plan (OPEB)

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the 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.

NOTE B – CASH AND INVESTMENTS

Cash and investments consist of the following:

Demand accounts	$ 809,334
CSAFE	210,759
COLOTRUST	740,854
Total cash and investments	$ 1,760,950

Deposits

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

At year-end the carrying amount of the district's bank accounts was $955,287 and $250,000 of that balance was covered by federal depository insurance. The remaining $705,287 was collateralized with securities held in a single financial institution collateral pool, in accordance with Title II, Article 10.5 of the Colorado Revised Statutes.

NOTE B – CASH AND INVESTMENTS – CONTINUED

Investments

The District had invested $740,854 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds. The trust operates similarly to a money market fund and each share is equal in value to $1.00. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to this trust in connection with their direct investment and withdrawal functions. 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. COLOTRUST funds carry a AAAm rating from Standard & Poor’s. COLOTRUST is at fair value.

The District had invested $210,759 in The Colorado Surplus Asset Fund (CSafe) which exists under the laws of the State of Colorado and is registered with the Securities Commissioner of the State of Colorado. CSAFE adheres to the guidelines outlined in GASB 79, *Certain External Investment Pools and Pool Participants*, regarding liquidity, maturity, quality, diversification and shadow NAV pricing. CSAFE measures its investment at amortized cost for financial reporting purposes and has been rated AAm by Standard & Poor’s. The pool is similar to a money market fund, with each share valued at $1, though this is not guaranteed. Investment objectives focus on safety, liquidity, transparency, and competitive yields through investment in a diversified portfolio of short-term marketable securities. CSAFE may invest in U.S. Treasury securities, U.S. governmental agency securities, commercial paper, corporate fixed notes, and repurchase agreement collateralized with securities valued in excess of the repurchase agreement amount. All securities owned by CSAFE are held by the Federal Reserve Bank in the account maintained for the custodian. There are no limits or restrictions on participant withdrawals.

NOTE C – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" clearly defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District’s highest level of decision making authority, the School Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the School Board.

NOTE C – FUND BALANCES – CONTINUED

- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the School Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, the District will use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

NOTE D – CAPITAL ASSETS

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 633,903	$ –	$ –	$ 633,903
Construction in progress	36,072	16,200	–	52,272
Total non-depreciable capital assets	699,975	16,200	–	686,175
Capital assets, being depreciated:				
Buildings and improvements	2,288,402	–	–	2,288,402
Equipment	29,514	–	–	29,514
Transportation equipment	221,527	–	–	221,527
Total depreciable capital assets	2,539,443	–	–	2,539,443
Less accumulated depreciation:				
Buildings and improvements	(600,402)	(39,290)	–	(639,692)
Equipment	(29,514)	–	–	(29,514)
Transportation equipment	(150,960)	(20,831)	–	(171,791)
Total accumulated depreciation	(780,876)	(60,121)	–	(840,997)
Total depreciable capital assets, net	1,758,567	(60,121)	–	1,698,446
Governmental activities capital assets, net	$ 2,428,542	$ (43,921)	$ –	$ 2,384,621

Depreciation expense was charged for functions/programs of the primary government as follows:

Governmental activities:	
Instructional services	$ 39,290
Pupil transportation services	20,831
Total depreciation expense Governmental activities	$ 60,121

NOTE E – LONG-TERM DEBT AND LOAN PAYABLE

Changes in the District's long-term obligations during the year end June 30, 2018 were as follows:

	Beginning Balance	Addition	Reductions	Ending Balance	Amounts Due Within One Year
General obligation bonds	$ 405,000	$ –	$ (75,000)	$ 330,000	$ 75,000

General Obligation Bonds, Series 2001

In 2001 the District issued $1,166,982 of General Obligation Series 2001 Bonds. The proceeds of the bond issue were used to improve and equip the existing school buildings. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

Debt service for the 2001 bonds is accounted for in the Bond Redemption Fund. In March 2010, the District switched from American National Bank to UMB Corporate Services as the bond registrar and paying agent for the 2001 bonds.

Debt service requirements to maturity for the General Obligation Series 2001 Bonds are as follows:

Year	Principal	Interest	Total	Interest Rate
2019	75,000	15,210	90,210	5.2%
2020	80,000	11,180	91,180	5.2%
2021	85,000	6,890	91,890	5.2%
2022	90,000	2,340	92,340	5.2%
	$ 330,000	$ 35,620	$ 365,620	

NOTE F – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

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.

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $168,627 for the year ended June 30, 2018.

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

At June 30, 2018, the District reported a liability of $6,338,842 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017.

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

At December 31, 2017, the District proportion was .019 percent, which was a decrease of .0007 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $1,422,676. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$116,546	$–
Changes of assumptions or other inputs	1,618,542	10,270
Net difference between projected and actual earnings on pension plan investments	–	248,932
Changes in proportion and differences between contributions recognized and proportionate share of contributions	138,803	–
Contributions subsequent to the measurement date	87,820	N/A
Total	$1,961,711	$259,202

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

$87,820 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	1,068,531
2020	619,344
2021	20,461
2022	(93,649)
2023	–
Thereafter	–

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

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

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.

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

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

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

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:

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

- 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.

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	$8,007,036	$6,338,842	$4,979,455

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability 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.

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

At June 30, 2018, the District reported a liability of $6,338,842 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District 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.

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 2,863,834

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 $2,959,011 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

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

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

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

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.

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $4,683 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $144,756 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was .011 percent, which was a decrease of .0004 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of $9,108. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$685	$–
Net difference between projected and actual earnings on OPEB plan investments	–	2,422
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,098	–
Contributions subsequent to the measurement date	4,682	N/A
Total	$9,465	$2,422

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

$4,682 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	$ 334
2020	334
2021	334
2022	334
2023	940
Thereafter	85

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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.

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:

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$140,773	$144,756	$129,396

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:

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$162,751	$144,756	$129,396

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.

NOTE H – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the District accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by $134,712, from $262,268 to $127,556.

NOTE I – RISK MANAGEMENT

The District insures against loss or damage to property; pays premiums on loss insurances; and pays judgments, administrative and legal claims. This activity occurs in the General Fund.

The District is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. These risks are covered by the District's participation as a member of the Colorado School District Self-Insurance Pool, which operates as a risk-sharing public entity risk pool comprised of various school districts and other related public educational entities within the State of Colorado. The Pool provides the District with general, property and vehicle liability insurance. In the event of the impairment or insolvency of the Pool the District may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote. For the fiscal year ended June 30, 2018 the District paid premiums of $9,749. In the event of impairment or insolvency of the Pool, the District may be assessed such amounts as may be necessary to ensure the solvency of the Pool. The likelihood of an event of this type occurring is remote.

NOTE J – 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 Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. The voters approved a ballot issue in a general election which allows the District to exceed revenue limitations required by the amendment.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to restrict emergency reserves to be used for declared emergencies only. TABOR requires local governments to restrict emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These restricted fund balances are required to be three percent or more of fiscal year spending (excluding bonded debt service and other items specifically listed in the Amendment).

NOTE K – SUBSEQUENT EVENTS

The voters of Hinsdale County approved a bond issuance in November 2018 in the amount of $3,950,000. This bond will go towards upgrading the existing school facilities for safety and security concerns, the addition of classroom space, and a gym.

HINSDALE COUNTY SCHOOL DISTRICT RE-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Local sources:				
Property taxes	$ 969,000	$ 969,000	$ 954,966	$ (14,034)
Specific ownership tax	71,500	71,500	72,439	939
Interest and penalties	8,000	8,000	9,465	1,465
Investment income	5,400	5,400	12,906	7,506
Other local revenue	32,500	32,500	129,380	96,880
Total local sources	1,086,400	1,086,400	1,179,156	92,756
State sources:				
State equalization	384,922	384,922	393,069	8,147
Transportation	1,500	1,500	968	(532)
Other state sources	176,665	41,665	346,255	304,590
Total state sources	563,087	428,087	740,292	312,205
Federal sources				
Title I	25,500	25,500	23,645	(1,855)
REAP	14,900	14,900	-	(14,900)
Other federal sources	-	-	14,277	14,277
Total federal sources	40,400	40,400	37,922	(2,478)
Total revenues	1,689,887	1,554,887	1,957,370	402,483
Expenditures				
Instructional services:				
Elementary	281,715	281,715	267,322	14,393
Middle School	182,052	182,052	190,256	(8,204)
High School	265,509	265,509	250,444	15,065
Preschool	62,484	62,484	55,365	7,119
Special education	206,596	206,596	183,860	22,736
Total instructional services	998,356	998,356	947,247	51,109

(continued)

HINSDALE COUNTY SCHOOL DISTRICT RE-1

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget Original	Budget Final	Actual	Variance with Final Budget Positive (Negative)
Instructional support:				
Student support	$ 119,225	$ 119,225	$ 108,809	$ 10,416
Instructional staff	106,020	106,020	129,416	(23,396)
General administration	224,826	224,826	230,371	(5,545)
Business support	71,165	71,165	61,262	9,903
Operations and maintenance	236,925	236,925	127,653	109,272
Student transportation	62,000	62,000	47,693	14,307
Other support services	14,200	14,200	22,730	(8,530)
Capital outlay	-	-	16,678	
Total support services	834,361	834,361	744,612	89,749
Total expenditures	1,832,717	1,832,717	1,691,859	140,858
Excess (deficiency) of revenues over (under expenditures)	(142,830)	(277,830)	265,511	543,341
Other financing (uses)				
Transfer to other funds	-	-	(6,929)	(6,929)
Excess (deficiency) of revenues over (under expenditures) and other financing uses	(142,830)	(277,830)	258,582	536,412
Fund balance, beginning of year	1,371,511	1,371,511	1,371,511	-
Fund balance, end of year	$ 1,228,681	$ 1,093,681	$ 1,630,093	$ 1,072,824

HINSDALE COUNTY SCHOOL DISTRICT RE-1

FOOD SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources	$ -	$ -	$ 15,920	$ 15,920
State sources	-	-	419	419
Federal sources	-	-	8,883	8,883
Total revenues	-	-	25,222	25,222
Expenditures				
Food service expenditures	-	-	32,151	(32,151)
Total food service	-	-	32,151	(32,151)
Excess (deficiency) of revenues over (under expenditures)	-	-	(6,929)	(6,929)
Other financing sources				
Transfer in from other funds	-	-	6,929	6,929
Excess (deficiency) of revenues over (under expenditures) and other financing sources	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

HINSDALE COUNTY SCHOOL DISTRICT RE-1

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

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	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:					
December 31, 2017	0.0196027792%	$ 6,338,842	$ 907,274	699%	44%
December 31, 2016	0.0189305383%	$ 5,636,353	$ 905,249	623%	43%
December 31, 2015	0.0182344538%	$ 2,788,831	$ 849,636	328%	59%
December 31, 2014	0.0182254143%	$ 2,470,156	$ 763,513	324%	63%

HINSDALE COUNTY SCHOOL DISTRICT RE-1

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	$ 168,627	$ 168,627	$ 0	$ 892,819	18.89%
June 30, 2017	$ 166,474	$ 166,474	$ -	$ 904,888	18.40%
June 30, 2016	$ 145,175	$ 145,175	$ -	$ 818,556	17.74%
June 30, 2015	$ 129,990	$ 129,990	$ -	$ 769,760	16.89%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed form 7.5% to 5.26% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size, or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

HINSDALE COUNTY SCHOOL DISTRICT RE-1

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
Measurement date:					
December 31, 2017	0.0111384768%	$ 144,756	$ 904,274	16%	18%

HINSDALE COUNTY SCHOOL DISTRICT RE-1

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	$ 9,107	$ 9,107	$ -	$ 892,818	1.02%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

HINSDALE COUNTY SCHOOL DISTRICT RE-1

DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources:				
Property taxes	$ 96,060	$ 96,060	$ 92,269	$ (3,791)
Specific ownership taxes	-	-	6,757	6,757
Investment income	-	-	2,456	2,456
Total revenues	96,060	96,060	101,482	5,422
Expenditures				
Current:				
Debt Service				
Principal	96,060	96,060	75,000	21,060
Interest	-	-	19,110	(19,110)
Fees	-	-	650	(650)
Total debt services	96,060	96,060	94,760	1,300
Excess (deficiency) of revenues over (under expenditures)	-	-	6,722	6,722
Fund balance, beginning of year	218,363	218,363	218,363	-
Fund balance, end of year	$ 218,363	$ 218,363	$ 225,085	$ 6,722

Colorado Department of Education

Auditors Integrity Report

District: 1380 - HINSDALE COUNTY 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	1,371,510	1,950,440	1,691,857	1,630,092
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	**1,371,510**	**1,950,440**	**1,691,857**	**1,630,092**
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	32,151	32,151	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	218,363	101,482	94,760	225,085
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**1,589,873**	**2,084,073**	**1,818,768**	**1,855,177**
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	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	**0**	**0**	**0**	**0**

FINAL