

Idalia School District RJ-3
Idalia, Colorado

Financial Statements

For the Year ended June 30, 2018

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Office of the State Auditor

October 25, 2018

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Independent Auditors' Report

Board of Education
Idalia School District RJ-3
Idalia, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalia School District RJ-3 (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.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District 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.

Change in Accounting Principle

As discussed in Note N to the financial statements, in 2018 the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 1, 2018

**IDALIA SCHOOL DISTRICT RJ-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2018**

This section of Idalia School District RJ-3 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2018.

Financial Highlights

- The assets of the Idalia School District RJ-3 exceeded its liabilities at the close of the most recent fiscal year by \$6,778,504 (net position).
- The district's total net position decreased by \$1,996,827.
- General revenues accounted for \$2,934,022 or 88% of the \$3,334,574 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$400,552 or 12% of revenues.
- The general fund ending fund balance reached \$1,830,457, an increase of \$160,366 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements and, 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, 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 School 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.

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 fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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

The School District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Bond Redemption Fund and Capital Projects Fund, which are considered to be major funds. Data for the other governmental fund is presented in a separate column.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 20 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 may be found on pages 21-56 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 70-82

Financial Analysis of the School District as a Whole

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

85% of the School District's assets are investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position (liabilities) as of June 30, 2018.

	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Current and Other assets	\$ 2,743,736	\$ 2,508,562	9.37%
Capital assets	14,157,916	14,685,779	-3.59%
Total assets	16,901,652	17,194,341	-1.70%
Deferred outflows of resources	3,284,560	3,332,002	-1.42%
Total assets and deferred outflows of resources	\$ 20,186,212	\$ 20,526,343	-1.66%
Long term liabilities	\$ 12,590,767	\$ 11,450,130	9.96%
Other liabilities	249,252	252,018	-1.10%
Total liabilities	12,840,019	11,702,148	9.72%
Deferred inflows of resources	567,689	48,864	1,061.77%
Net investment in capital assets	11,144,238	11,515,145	-3.22%
Restricted	499,908	460,813	8.48%
Unrestricted	(4,865,642)	(3,200,627)	52.02%
Total net position	6,778,504	8,775,331	-22.76%
Total liabilities, deferred inflows of resources and net position	\$ 20,186,212	\$ 20,526,343	-1.66%

Following is a summary of the School District's change in net position.

	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Revenues			
Program Revenues			
Charges for services	\$ 45,957	\$ 49,727	-7.58%
Operating Grants & Contributions	268,114	284,002	-5.59%
Capital Grants & Contributions	86,481	12,500	591.85%
General Revenue			
Property taxes	761,255	726,023	4.85%
State equalization	2,104,742	2,063,877	1.98%
Other	68,025	66,459	2.36%
Total Revenue	3,334,574	3,202,588	4.12%
Expenses			
Instruction	2,806,325	2,476,263	13.33%
Pupil & Instructional Services	95,899	85,689	11.92%
Administration & Business	645,683	627,679	2.87%
Maintenance & Operations	455,131	475,419	-4.27%
Transportation	349,332	350,035	-0.20%
Other	979,031	963,979	1.56%
Total Expenses	5,331,401	4,979,064	7.08%
Change in net position	(1,996,827)	(1,776,476)	12.40%
Net position at beginning of year	8,775,331	10,551,807	-16.84%
Net position at end of year	\$ 6,778,504	\$ 8,775,331	-22.76%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$12,371 per funded student. In fiscal year 2017-18 the funded pupil count was 203.8. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 82 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$383,193 in property taxes levied for general purposes in fiscal year 2017-2018.

Governmental Funds

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

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$2,503,571, an increase of \$244,991.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The difference between the original and final budgets in the year are as follows:

- The revenues increased due to an increase in local funding received from the original budget to the final budget.
- The expenses were decreased from a decrease in purchased services, supplies, and materials.

The differences that are found between the final budget and the actual expended amounts are as follows:

- \$103,482 increase in the local income sources amounts. This increase can be attributed to a few factors. First, an increase of \$65,860 above the budgeted amount in property taxes. An increase in specific ownership taxes of \$32,021 above the budgeted amount. This was offset with an increase in other local revenues.
- \$89,697 decrease in the state sources amounts. This decrease is due to a few factors. First, a decrease in state equalization of \$88,166 below the budgeted amount and a decrease in vocational education of \$1,841. The services within the BOCES decreased \$3,790 below the budgeted amount and transportation increased \$2,712. This was offset with an increase in other state grants.
- \$426 increase in the federal source amounts.
- \$335,905 decrease in actual versus budgeted expenditures can be attributed to several factors both positive and negative. They are as follows:
 - \$20,478 decrease in salaries. This was due to staff member personnel changes.
 - \$20,766 decrease in employee benefits. This was due to staff member personnel changes.
 - \$118,983 decrease in other purchased services. One of the main variances of \$29,797 in general instructional services. An additional \$28,074 decrease in general administrative services. A \$26,025 decrease in operations and maintenance. There was a decrease of \$26,441 in student transportation. The remaining difference was distributed from other purchased services.
 - \$166,731 decrease in supplies. \$30,899 for operations and maintenance. A decrease of \$35,662 in transportation supplies. The remaining difference was distributed from other supply accounts.
 - \$2,950 decrease in property.
 - \$5,997 decrease in other purchases.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$14,157,916 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2018 net of accumulated depreciation were as follows

	Governmental Activities
Land	\$
Building Improvements	13,757,156
Equipment & Furniture	114,052
Vehicles	286,708
Total Capital Assets	<u>\$ 14,157,916</u>

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

Long-Term Debt

At year-end, the School District's long-term debt of \$12,590,767 represented its compensated absences of \$38,861, general obligation bonds of \$3,013,678, net pension liability of \$9,325,278 and net OPEB liability of \$212,950.

Economic Factors

Some uncertainty clouds the prospects for the School District for the next year.

- Although enrollment increased in FY18, the enrollment outlook for FY19 is uncertain due to our community size and location.
- Health and Property insurance premiums continue to rise at a rate that is higher than the percentage of funding increase.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Idalia School District RJ-3, P.O. Box 40, Idalia, CO 80735 or 970-354-7298.

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Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

IDALIA SCHOOL DISTRICT RJ-3
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,601,530
Cash with fiscal agent	308,676
Investments	781,188
Receivables	48,695
Inventory	3,647
Capital assets, net of depreciation	<u>14,157,916</u>
Total assets	16,901,652
Deferred outflows of resources	
Pension and other post-employment benefit deferrals	<u>3,284,560</u>
Total assets and deferred outflows of resources	<u><u>\$ 20,186,212</u></u>
Liabilities	
Accounts payable	\$ 3,510
Accrued salaries and benefits	209,849
Payroll deductions and withholdings	1,595
Unearned revenue	23,955
Accrued interest payable	10,343
Noncurrent liabilities	
Due within one year	163,420
Due in more than one year	<u>12,427,347</u>
Total liabilities	12,840,019
Deferred inflows of resources	
Pension and other post-employment benefit deferrals	567,689
Net position	
Net investment in capital assets	11,144,238
Restricted for:	
Emergencies	86,000
Debt service	309,189
Colorado preschool program	16,865
Food service operations	10,524
BEST capital renewal reserve	77,330
Unrestricted (deficit)	<u>(4,865,642)</u>
Total net position	<u>6,778,504</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 20,186,212</u></u>

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

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IDALIA SCHOOL DISTRICT RJ-3
Statement of Activities
For the Year Ended June 30, 2018

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 2,806,325	\$ 9,300	\$ 116,198	
Supporting services				
Students	38,641			
Instructional staff	57,258		3,500	
General administration	229,408			
School administration	282,826			
Business services	133,449			
Operations and maintenance	455,131			\$ 12,500
Student transportation	349,332		54,853	73,981
Central support services	64,609			
Other support services	709			
Food service operations	231,019	36,657	93,563	
Facilities acquisition	1,950			
Unallocated depreciation *	553,183			
Interest on long-term obligations	127,561			
Total governmental activities	<u>\$ 5,331,401</u>	<u>\$ 45,957</u>	<u>\$ 268,114</u>	<u>\$ 86,481</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position at beginning of year, as restated

Net position at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net
Governmental
Activities

\$ (2,680,827)

(38,641)

(53,758)

(229,408)

(282,826)

(133,449)

(442,631)

(220,498)

(64,609)

(709)

(100,799)

(1,950)

(553,183)

(127,561)

(4,930,849)

383,193

298,653

78,502

907

2,104,742

14,612

53,413

2,934,022

(1,996,827)

8,775,331

\$ 6,778,504

IDALIA SCHOOL DISTRICT RJ-3
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund
Assets				
Cash	\$ 1,241,252		\$ 349,754	\$ 10,524
Cash with fiscal agent	9,487	\$ 299,189		
Investments	781,188			
Property taxes receivable	13,631	10,624		
Grants receivable	2,210			
Other receivables	22,230			
Inventories				3,647
Total assets	\$ 2,069,998	\$ 309,813	\$ 349,754	\$ 14,171
Liabilities				
Accounts payable	\$ 3,510			
Accrued salaries and benefits	209,849			
Payroll withholding	1,595			
Unearned revenue	23,955			
Total liabilities	238,909	\$ -	\$ -	\$ -
Deferred inflows of resources				
Deferred property tax revenues	632	624		
Total deferred inflows of resources	632	624	-	-
Fund balance				
Nonspendable inventories				3,647
Restricted for:				
Emergencies	86,000			
Debt service		309,189		
Colorado preschool program	16,865			
Food service operations				10,524
BEST capital renewal reserve			77,330	
Committed for capital projects			272,424	
Unassigned	1,727,592			
Total fund balance	1,830,457	309,189	349,754	14,171
Total liabilities, deferred inflows of resources and fund balance	\$ 2,069,998	\$ 309,813	\$ 349,754	\$ 14,171

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 2,503,571
\$ 1,601,530	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	14,157,916
308,676		
781,188	Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	1,256
24,255		
2,210		
22,230		
3,647		
\$ 2,743,736		
	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(10,343)
\$ 3,510		
209,849	Long-term liabilities and related deferred outflows and inflows of resources, including bonds payable, accrued compensated absences, net pension liabilities and net OPEB liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(9,873,896)
1,595		
23,955		
238,909		
	Net position of the governmental activities	<u>\$ 6,778,504</u>
1,256		
1,256		
3,647		
86,000		
309,189		
16,865		
10,524		
77,330		
272,424		
1,727,592		
2,503,571		
\$ 2,743,736		

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

IDALIA SCHOOL DISTRICT RJ-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund
Revenues				
Local sources	\$ 534,393	\$ 305,218	\$ 14,524	\$ 37,465
Intermediate sources	3,727			
State sources	2,263,912			2,982
Federal sources	63,289			90,581
Total revenues	2,865,321	305,218	14,524	131,028
Expenditures				
Instruction	1,519,976			
Supporting services	1,099,329			155,048
Capital outlay			11,691	
Debt service				
Principal retirement		156,956		
Interest and fiscal charges		128,100		
Total expenditures	2,619,305	285,056	11,691	155,048
Excess of revenues over (under) expenditures	246,016	20,162	2,833	(24,020)
Other financing sources (uses)				
Transfers in			60,000	25,650
Transfers out	(85,650)			
Total other financing sources (uses)	(85,650)	-	60,000	25,650
Net change in fund balances	160,366	20,162	62,833	1,630
Fund balance at beginning of year	1,670,091	289,027	286,921	12,541
Fund balance at end of year	<u>\$ 1,830,457</u>	<u>\$ 309,189</u>	<u>\$ 349,754</u>	<u>\$ 14,171</u>

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

Total Governmental Funds	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ 244,991
\$ 891,600	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlay in the current period.	
3,727		
2,266,894		
153,870		
3,316,091		(527,863)
1,519,976	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	
1,254,377		
11,691		
156,956		
128,100		(7,590)
3,071,100	Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year	
244,991		(1,885,053)
85,650	In the statement of activities, certain operating expenses - compensated absences and accrued interest payable - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
(85,650)		(4,341)
-	Repayment of principal on general obligation bonds and amounts payable to the Colorado Department of Education are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	
244,991		183,029
2,258,580		
\$ 2,503,571	Change in net position of governmental activities	\$ (1,996,827)

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

IDALIA SCHOOL DISTRICT RJ-3
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Agency Funds</u>
Assets	
Cash	\$ 102,949
Total assets	<u>\$ 102,949</u>
Liabilities	
Due to student groups	\$ 102,949
Total liabilities	<u>\$ 102,949</u>

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Idalia School District RJ-3's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Idalia School District RJ-3 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The district does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

The following is the District’s nonmajor governmental fund:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District’s food service operations.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District’s own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	7-15 years

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Certain personnel and full-time employees receive up to seven days of sick leave each year, while employees less than full-time receive a prorated share of seven days. Sick leave can be accumulated up to fifty days maximum. Any days accumulated over fifty will be paid back to the employee at the end of the fiscal year. Upon leaving employment with the District, instructional/administrative staff shall be paid for the accumulated days at the professional license rate, while accumulated days for support staff will be paid at the emergency license rate.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$2,533,531, of which \$500,000 was insured and \$2,033,531 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

At year-end, the District had only investments in certificates of deposit.

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 1,704,479
Cash with fiscal agent	308,676
Certificates of deposit	<u>781,188</u>
 Total	 <u>\$ 2,794,343</u>
 <u>Statement of net position</u>	
Cash	\$ 1,601,530
Cash with fiscal agent	308,676
Investments in certificates of deposit	<u>781,188</u>
 Subtotal	 2,691,394
 <u>Statement of fiduciary net position</u>	
Cash	<u>102,949</u>
 Total	 <u>\$ 2,794,343</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 24,255
Grants receivable	2,210
Other receivables	<u>22,230</u>
Total	<u>\$ 48,695</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Yuma and Kit Carson Counties bill and collect property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 85,650
Capital Reserve Capital Projects Fund	60,000	
Other governmental fund	<u>25,650</u>	<u>-</u>
Total	<u>\$ 85,650</u>	<u>\$ 85,650</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$25,650 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations. The District also transferred \$60,000 from the General Fund to Capital Reserve Capital Projects Fund to set aside funds for capital acquisitions.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,599,980	\$ -	\$ -	\$ 17,599,980
Furniture and equipment	257,916	-	-	257,916
Licensed vehicles	<u>663,756</u>	<u>87,539</u>	<u>-</u>	<u>751,295</u>
 Total capital assets, being depreciated	 <u>18,521,652</u>	 <u>87,539</u>	 <u>-</u>	 <u>18,609,191</u>
 Total capital assets	 18,521,652	 87,539	 -	 18,609,191
Less accumulated depreciation for:				
Buildings and improvements	(3,289,641)	(553,183)	-	(3,842,824)
Furniture and equipment	(121,499)	(22,365)	-	(143,864)
Licensed vehicles	<u>(424,733)</u>	<u>(39,854)</u>	<u>-</u>	<u>(464,587)</u>
 Total accumulated depreciation	 <u>(3,835,873)</u>	 <u>(615,402)</u>	 <u>-</u>	 <u>(4,451,275)</u>
 Governmental activities capital assets, net	 <u>\$ 14,685,779</u>	 <u>\$ (527,863)</u>	 <u>\$ -</u>	 <u>\$ 14,157,916</u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 3,899
Operations and maintenance	3,966
Student transportation	39,854
Other support services	709
Food service operations	13,791
Unallocated	<u>553,183</u>
 Total depreciation expense	 <u>\$ 615,402</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$209,849. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 33,980	\$ 4,881	\$ -	\$ 38,861	\$ -
CDE repayment	26,073	-	(26,073)	-	-
General obligation Bonds	3,170,634	-	(156,956)	3,013,678	163,420
Net pension liability	8,020,909	1,304,369	-	9,325,278	-
Net OPEB liability	<u>198,534</u>	<u>14,416</u>	<u>-</u>	<u>212,950</u>	<u>-</u>
 Total	 <u>\$ 11,450,130</u>	 <u>\$ 1,323,666</u>	 <u>\$ (183,029)</u>	 <u>\$ 12,590,767</u>	 <u>\$ 163,420</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension and OPEB liabilities. Payments on the bonds payable are made in the Bond Redemption Fund.

Bonds Payable

\$3,870,029 general obligation bonds, dated December 8, 2011, due in annual installments beginning in fiscal year 2013 ranging from \$131,250 to \$276,164; fixed annual interest rate of 4.12% payable semi-annually on June 1st and December 1st.

Total general obligation bonds \$ 3,013,678

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note G – Long-term debt (Continued)

The following schedule represents the District’s debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 163,420	\$ 120,753	\$ 284,173
2020	170,150	113,884	284,034
2021	177,158	106,732	283,890
2022	184,454	99,285	283,739
2023	192,051	91,532	283,583
2024-2028	1,085,620	329,716	1,415,336
2029-2032	<u>1,040,825</u>	<u>87,894</u>	<u>1,128,719</u>
Totals	<u>\$ 3,013,678</u>	<u>\$ 949,796</u>	<u>\$ 3,963,474</u>

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

General information about the pension plan

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

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. Section 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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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. Section 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:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	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. Section 24-51-208(1)(f) ¹	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	<u>5.00%</u>	<u>5.50%</u>
Total employer contribution rate to the SCHDTF ¹	<u>18.63%</u>	<u>19.13%</u>

¹Rates are expressed as a percentage of salary as defined in C.R.S. Section 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 \$249,587 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$9,325,278 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0288 percent, which was an increase of 0.0019 percent from its proportion measured as of December 31, 2016.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$2,129,213. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 166,734	\$ -
Changes of assumptions or other inputs	2,271,911	13,045
Net difference between projected and actual earnings on pension plan investments	159,893	551,081
Changes in proportion and differences between contributions recognized and proportionate share of contributions	541,339	-
Contributions subsequent to the measurement date	<u>125,363</u>	<u>-</u>
Total	<u>\$ 3,265,240</u>	<u>\$ 564,126</u>

\$125,363 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2019	\$ 1,643,072
2020	995,009
2021	75,440
2022	<u>(137,770)</u>
Totals	<u>\$ 2,575,751</u>

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:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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.

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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
 Total	 <u>100.00%</u>	

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 estimate future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits 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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

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

	1% Decrease <u>(3.78%)</u>	Current Discount Rate <u>(4.78%)</u>	1% Increase <u>(5.78%)</u>
Proportionate share of the net pension liability	\$ <u>11,779,412</u>	\$ <u>9,325,278</u>	\$ <u>7,325,439</u>

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.

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 the 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 year end, the District reported a liability of \$9,325,278 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 <u>(pro forma)</u>	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 <u>(pro forma)</u>
7.25%	\$4,213,080

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 \$4,353,098 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Note I – Defined contribution pension plan

Voluntary Investment Program

Plan description. Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$3,987 for the Voluntary Investment Program.

Note J – Defined benefit other post-employment benefit (OPEB) plan

Summary of significant accounting policies

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 the 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. Section 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 charges 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 the 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.

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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 \$13,486 for the year ended.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the District reported a liability of \$212,950 for its proportionate share of the net OPEB liability. The net pension OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0164 percent, which was an increase of 0.0011 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$18,912. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,007	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	3,563
Changes in proportion and differences between contributions recognized and proportionate share of contributions	11,629	-
Contributions subsequent to the measurement date	<u>6,684</u>	<u>-</u>
Total	<u>\$ 19,320</u>	<u>\$ 3,563</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

\$6,684 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30, ___</u>	<u>Amount</u>
2019	\$ 1,592
2020	1,592
2021	1,592
2022	1,592
2023	2,482
2024	<u>223</u>
Totals	<u>\$ 9,073</u>

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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 costs between employers of each fund to that point.

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

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 show 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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

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

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

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.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u>100.00%</u>	

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>
Net OPEB Liability	\$ 207,091	\$ 212,950	\$ 220,007

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:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – 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 District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the 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:

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) plan (Continued)

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>239,422</u>	\$ <u>212,950</u>	\$ <u>190,354</u>

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.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$42,831. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Budget law

Expenditures in the Food Service Fund exceeded appropriations by \$3,038, and may be in violation of Colorado Local Government Budget Laws.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$86,000 for the emergency reserve.

Note M – Joint venture

The District participates in the East Central Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,
- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients or services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

N Note M – Joint venture (Continued)

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the East Central Board of Cooperative Educational Services are available by contacting their administrative office in Limon, Colorado.

For the year, the District's contribution was \$52,242.

Note N – Prior period restatement

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net OPEB liability of PERA's Health Care Trust Fund (see Note J), as well as OPEB expense, and to report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The District has reduced the beginning net position of its governmental activities by \$191,766 due to the adoption of this statement.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund
- Notes to the Required Supplementary Information

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 430,111	\$ 430,911	\$ 534,393	\$ 103,482
Intermediate sources	2,000	2,000	3,727	1,727
State sources	2,293,099	2,353,609	2,263,912	(89,697)
Federal sources	39,137	62,863	63,289	426
Total revenues	2,764,347	2,849,383	2,865,321	15,938
Expenditures				
Instruction	1,479,170	1,668,918	1,519,976	148,942
Supporting services	1,153,787	1,286,292	1,099,329	186,963
Total expenditures	2,632,957	2,955,210	2,619,305	335,905
Excess of revenues over (under) expenditures	131,390	(105,827)	246,016	351,843
Other financing sources (uses)				
Transfers in		105,827		(105,827)
Transfers out	(131,390)		(85,650)	(85,650)
Total other financing sources (uses)	(131,390)	105,827	(85,650)	(191,477)
Net change in fund balance	\$ -	\$ -	160,366	\$ 160,366
Fund balance at beginning of year			1,670,091	
Fund balance at end of year			\$ 1,830,457	

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IDALIA SCHOOL DISTRICT RJ-3
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0288%	0.0269%	0.0249%	0.0245%
District's proportionate share of the net pension liability	\$ 9,325,278	\$ 8,020,909	\$ 3,807,683	\$ 3,319,645
District's covered-employee payroll	\$ 1,330,274	\$ 1,209,088	\$ 1,084,966	\$ 1,026,087
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	701.00%	663.39%	350.95%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

0.0251%

\$ 3,205,347

\$ 1,013,075

316.40%

64.06%

IDALIA SCHOOL DISTRICT RJ-3
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 249,587	\$ 233,001	\$ 205,482	\$ 173,754
Contributions in relation to the contractually required contribution	<u>(249,587)</u>	<u>(233,001)</u>	<u>(205,482)</u>	<u>(173,754)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,322,119	\$ 1,266,872	\$ 1,157,741	\$ 1,028,348
Contributions as a percentage of covered-employee payroll	18.88%	18.39%	17.75%	16.90%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

\$ 164,864

(164,864)

\$ -

\$ 1,030,832

15.99%

IDALIA SCHOOL DISTRICT RJ-3
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.0164%	0.0153%
District's proportionate share of the net OPEB liability	\$ 212,950	\$ 198,534
District's covered-employee payroll	\$ 1,330,274	\$ 1,209,088
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

IDALIA SCHOOL DISTRICT RJ-3
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 13,486	\$ 12,922
Contributions in relation to the contractually required contribution	<u>(13,486)</u>	<u>(12,922)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,322,119	\$ 1,266,872
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

IDALIA SCHOOL DISTRICT RJ-3
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

The other supplementary information presents a summary of the financial position of all funds of a given segment and the operating results of the same funds. The individual fund statements and schedules present information when only one fund exists.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 320,985	\$ 320,985	\$ 386,845	\$ 65,860
Specific ownership taxes	46,426	46,426	78,447	32,021
Delinquent taxes and interest		800	487	(313)
Earnings on investments	5,000	10,000	10,242	242
Other local revenue	57,700	52,700	58,372	5,672
Total local sources	430,111	430,911	534,393	103,482
Intermediate sources	2,000	2,000	3,727	1,727
State sources				
Equalization	2,187,537	2,187,547	2,099,381	(88,166)
Vocational education	25,000	25,000	23,159	(1,841)
ELPA professional development		4,172	3,905	(267)
English language proficiency		3,134	3,482	348
Transportation	59,000	31,429	34,141	2,712
READ Act		2,442	2,442	-
State grants to libraries		3,500	3,500	-
Small rural schools funding		73,981	73,981	-
Additional at-risk funding			1,308	1,308
Safe routes to school		842	841	(1)
Services within the BOCES	21,562	21,562	17,772	(3,790)
Total state sources	2,293,099	2,353,609	2,263,912	(89,697)
Federal sources				
REAP		15,000	16,389	1,389
Race to the top		120		(120)
Services within the BOCES	39,137	47,743	46,900	(843)
Total federal sources	39,137	62,863	63,289	426
Total revenues	\$ 2,764,347	\$ 2,849,383	\$ 2,865,321	\$ 15,938

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IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 925,185	\$ 996,247	\$ 978,790	\$ 17,457
Employee benefits	369,678	370,544	357,395	13,149
Purchased services	64,900	84,600	55,628	28,972
Supplies and materials	112,207	200,523	114,558	85,965
Property		9,804	9,804	-
Other	7,200	7,200	3,801	3,399
Total instruction	1,479,170	1,668,918	1,519,976	148,942
Supporting services				
Students				
Salaries	15,040	15,040	15,040	-
Employee benefits	3,212	3,212	3,023	189
Purchased services	1,000	1,000	433	567
Supplies and materials	1,100	1,100	427	673
Total students	20,352	20,352	18,923	1,429
Instructional staff				
Purchased services	52,500	52,500	52,242	258
Supplies and materials	2,570	6,101	5,016	1,085
Total instructional staff	55,070	58,601	57,258	1,343
General administration				
Salaries	54,000	54,000	50,350	3,650
Employee benefits	29,990	29,990	29,097	893
Purchased services	72,100	92,600	64,526	28,074
Supplies and material	16,000	16,000	7,924	8,076
Other	16,800	16,800	11,500	5,300
Total general administration	188,890	209,390	163,397	45,993

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	103,050	103,050	104,896	(1,846)
Employee benefits	39,147	39,147	39,728	(581)
Purchased services	2,000	2,000		2,000
Supplies and materials	2,800	2,800	678	2,122
Total school administration	146,997	146,997	145,302	1,695
Business services				
Salaries	44,000	44,000	44,765	(765)
Employee benefits	17,264	17,264	15,096	2,168
Purchased services	11,000	11,000	9,745	1,255
Supplies and materials	4,000	4,000	1,751	2,249
Other			3,402	(3,402)
Total business services	76,264	76,264	74,759	1,505
Operations and maintenance				
Salaries	102,900	117,900	116,852	1,048
Employee benefits	41,642	47,577	43,663	3,914
Purchased services	51,185	51,185	25,160	26,025
Supplies and materials	131,500	131,500	100,601	30,899
Property	1,000	1,000		1,000
Total operations and maintenance	328,227	349,162	286,276	62,886
Student transportation				
Salaries	84,960	84,960	84,026	934
Employee benefits	21,242	21,242	20,208	1,034
Purchased services	77,185	77,185	50,744	26,441
Supplies and materials	80,000	80,000	44,338	35,662
Property		87,539	87,539	-
Total student transportation	263,387	350,926	286,855	64,071

(continued)

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	<u>70,000</u>	<u>70,000</u>	<u>64,609</u>	<u>5,391</u>
Total central support services	<u>70,000</u>	<u>70,000</u>	<u>64,609</u>	<u>5,391</u>
Facilities acquisition				
Property	<u>3,900</u>	<u>3,900</u>	<u>1,950</u>	<u>1,950</u>
Total facilities acquisition	<u>3,900</u>	<u>3,900</u>	<u>1,950</u>	<u>1,950</u>
Other uses				
Other	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total other uses	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total supporting services	<u>1,153,787</u>	<u>1,286,292</u>	<u>1,099,329</u>	<u>186,963</u>
Total expenditures	<u>\$ 2,632,957</u>	<u>\$ 2,955,210</u>	<u>\$ 2,619,305</u>	<u>\$ 335,905</u>

Budgetary Comparison Schedule – Nonmajor Governmental Fund

The District reports the following nonmajor governmental fund:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

IDALIA SCHOOL DISTRICT RJ-3
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 30,300	\$ 30,300	\$ 37,465	\$ 7,165
State sources	2,050	2,050	2,982	932
Federal sources	72,000	72,000	90,581	18,581
Total revenues	104,350	104,350	131,028	26,678
Expenditures				
Salaries	42,660	42,660	47,427	(4,767)
Employee benefits	24,850	24,850	23,223	1,627
Purchased services	1,500	2,000	2,092	(92)
Supplies and materials	81,500	81,500	82,306	(806)
Property	1,000	1,000		1,000
Total expenditures	151,510	152,010	155,048	(3,038)
Excess of revenues over (under) expenditures	(47,160)	(47,660)	(24,020)	23,640
Other financing sources				
Transfers in	47,160	47,660	25,650	(22,010)
Net change in fund balance	\$ -	\$ -	1,630	\$ 1,630
Fund balance at beginning of year			12,541	
Fund balance at end of year			\$ 14,171	

Budgetary Comparison Schedule – Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

IDALIA SCHOOL DISTRICT RJ-3
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 299,550	\$ 299,550	\$ 302,591	\$ 3,041
Specific ownership taxes	200	200	55	(145)
Delinquent taxes and interest			420	420
Earnings on investments	250	250	2,152	1,902
Total revenues	300,000	300,000	305,218	5,218
Expenditures				
Debt service				
Principal retirement	139,057	139,057	156,956	(17,899)
Interest and fiscal charges	160,943	160,943	128,100	32,843
Total expenditures	300,000	300,000	285,056	14,944
Net change in fund balance	\$ -	\$ -	20,162	\$ 20,162
Fund balance at beginning of year			289,027	
Fund balance at end of year			\$ 309,189	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

**IDALIA SCHOOL DISTRICT RJ-3
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 250	\$ 250	\$ 2,024	\$ 1,774
Other local revenues	49,150	49,150	12,500	(36,650)
Total revenues	49,400	49,400	14,524	(34,876)
Expenditures				
Capital outlay				
Property	92,250	92,250	11,691	80,559
Total expenditures	92,250	92,250	11,691	80,559
Excess of revenues over (under) expenditures	(42,850)	(42,850)	2,833	45,683
Other financing sources				
Transfers in	42,850	42,850	60,000	17,150
Net change in fund balance	\$ -	\$ -	62,833	\$ 62,833
Fund balance at beginning of year			286,921	
Fund balance at end of year			\$ 349,754	

Budgetary Comparison Schedule - Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency fund – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

**IDALIA SCHOOL DISTRICT RJ-3
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 160,000	\$ 160,000	\$ 145,335	\$ (14,665)
Total additions	160,000	160,000	145,335	(14,665)
Deductions				
Pupil activity expenditures	160,000	160,000	134,493	25,507
Total deductions	160,000	160,000	134,493	25,507
Excess of additions over deductions	\$ -	\$ -	10,842	\$ 10,842
Due to student groups at beginning of year			92,107	
Due to student groups at end of year			\$ 102,949	

**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report - This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Idalia School District RJ-3
Idalia, Colorado

We have audited the financial statements of the Idalia School District RJ-3 (the District) as of and for the year ended June 30, 2018, and our report thereon dated October 1, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 1, 2018



Colorado Department of Education
Auditors Integrity Report
 District: 3220 - IDALIA RJ-3
 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	1,670,091	2,779,671	2,619,305	1,830,457
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	1,670,091	2,779,671	2,619,305	1,830,457
11 Charter School Fund	0	0	0	0
20.26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	12,541	156,678	155,049	14,171
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	289,027	305,218	285,056	309,189
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	286,921	74,524	11,691	349,754
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	2,258,581	3,316,091	3,071,100	2,503,571
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	92,107	145,335	134,493	102,949
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	92,107	145,335	134,493	102,949

FINAL

*if you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your prior period adjustment is added into both your ending and beginning fund balances on this report.