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***BAYFIELD SCHOOL DISTRICT***  
***NUMBER 10-JTR***  
*FINANCIAL STATEMENTS*  
*JUNE 30, 2018*

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## Independent Auditors' Report

Board of Education  
Bayfield School District 10-JtR  
Bayfield, Colorado

### Report On The Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information for Bayfield School District 10-JtR (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.

### ***Emphasis Of Matter***

#### *Newly Adopted Standard*

As discussed in Notes 6 and 10, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Report for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. 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, schedule of the District's proportionate share of the net pension liability, schedule of District contributions, schedule of the District's proportionate share of the net other postemployment benefit (OPEB) liability and schedule of District contributions (OPEB) on pages i through viii and on pages 47 through 52, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by GASB, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying combining nonmajor fund financial statements, the Colorado Department of Education Auditor's Integrity Report, the schedule of changes in assets and liabilities - student activity fund and the budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements, the Colorado Department of Education Auditor's Electronic Financial Data Integrity Check Figures, the schedule of changes in assets and liabilities - student activity fund and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements, the Colorado Department of Education Auditor's Integrity Report, the schedule of changes in assets and liabilities - student activity fund and the budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*RubinBrown LLP*

January 31, 2019

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018

To the Board of Education, parents, taxpayers, and members of Bayfield School District 10-JtR (the "District"):

The discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

### **Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows on June 30, 2018 by \$23,745,591, an increase of \$5,741,191 from the prior year. Of this amount, negative \$89,568,718 is unrestricted. The significant negative net position is due to the District's required reporting of the District's proportional share of the Colorado PERA's managed Pension Plan and Retiree Health Care Trust Fund.
- The District's long-term obligations were \$110,859,249 at June 30, 2018.
- At June 30, 2018 the District's governmental funds reported combined ending fund balances \$14,634,364.
- The governmental funds have unassigned fund balance of \$4,028,882.
- At June 30, 2018, \$429,769 of the general fund was reserved for the emergency contingency required by state law.
- The final 2017-2018 per pupil funding amount after the negative factor was \$7,937

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018

**Financial Statement Overview**

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the District as a financial whole, or as an entire operating entity.

The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

**District-wide Financial Statements**

The district-wide financial statements are designed to provide the reader of the District's comprehensive annual financial report a broad overview of the financial activities in a manner similar to a private sector business. The district-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the District's assets, deferred outflows and liabilities and deferred inflows. The difference between District's assets, deferred outflows and liabilities and deferred inflows reported as net position. Over time, changes in net position may serve as a useful indicator of the District's financial health.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Both of the district-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the General Fund, Food Service Fund, Governmental Designated Purpose Grants (Grant Fund), Debt Service Fund, Building Fund, and Capital Reserve Fund.

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. The District, like other governments, uses fund accounting to ensure and demonstrate compliance. All District funds can be divided into two categories: governmental funds, and fiduciary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the district-wide financial statements. However, unlike the district-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the financing requirements in the near term.

Because the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Since the focus of each report differs, reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains four major governmental funds. The major funds are the General Fund, Grant Fund, the Debt Service Fund, and the Building Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled other governmental funds. Individual fund information for the non-major fund is presented as other supplemental information elsewhere in this document.

Fiduciary funds are used to account for resources held for the benefits of parties outside of the district. Fiduciary funds are not reported in the district-wide financial statements because the resources of those funds are not available for the support of the District's programs. These funds belong to the various student activity groups throughout the District. The accounting used for fiduciary funds is the same as that used for proprietary funds.

**Notes to the Basic Financial Statements**

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

**Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District. The District adopts an annual appropriation budget for all its funds. A budgetary comparison schedule has been provided for the General, Food Service, Grant, Debt Service, and Building funds to demonstrate compliance with this budget.

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018

**District-wide Financial Analysis**

The assets of the District are classified as current assets and capital assets. Cash and investments, receivables, prepaid insurance, and inventories are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of proceeds of the property tax collection process. The District received approximately 75% of the annual property tax assessment in May & June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment, and vehicles.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal 2019. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2019.

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018  
**Condensed Statement of Net Position**

	June 30, 2018	June 30, 2017	June 30, 2016
<b>Assets</b>			
Current assets	\$ 18,510,372	\$ 36,732,584	\$ 8,150,658
Net Capital Assets	53,749,598	28,865,551	25,735,501
<b>Total Assets</b>	<u>72,259,970</u>	<u>65,598,135</u>	<u>33,886,159</u>
<b>Deferred Outflows of Resources</b>			
Deferred Outflows for Pensions and OPEB	18,444,227	20,988,735	3,693,737
Deferred loss on Bond Refunding	38,635	85,377	132,115
<b>Total Deferred Outflows of Resources</b>	<u>18,482,862</u>	<u>21,074,112</u>	<u>3,825,852</u>
<b>Total Assets and Deferred Outflow of Resources</b>	<u>\$ 90,742,832</u>	<u>\$ 86,672,247</u>	<u>\$ 37,712,011</u>
<b>Liabilities</b>			
Current Liabilities	\$ 5,451,557	\$ 2,246,220	\$ 921,000
Pension and other long-term liabilities	105,407,692	102,155,417	46,207,397
<b>Total Liabilities</b>	<u>110,859,249</u>	<u>104,401,637</u>	<u>47,128,397</u>
<b>Deferred Inflows of Resources</b>	3,629,174	275,010	392,254
<b>Total Liabilities and Deferred Inflows of Resources</b>	<u>114,488,423</u>	<u>104,676,647</u>	<u>47,520,651</u>
<b>Net Position</b>			
Investment in Capital Assets, Net of Related Debt	62,497,061	9,430,564	8,068,093
Restricted	3,326,066	3,063,936	1,926,564
Unrestricted	(89,568,718)	(30,498,900)	(19,803,297)
<b>Total Net Position</b>	<u>\$ (23,745,591)</u>	<u>\$ (18,004,400)</u>	<u>\$ (9,808,640)</u>

The Statement of Activities and Changes in Net Position reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The dependence upon tax revenues and state funding is apparent. Approximately 95% of governmental revenue is supported through property taxes and state equalization.

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018  
**Condensed Statement of Activities and Changes in Net Position**

	June 30, 2018	June 30, 2017	June 30, 2016
<b>Revenue</b>			
<b>Program Revenue</b>			
Charges for Services	\$ 206,285	\$ 408,162	\$ 169,314
Operating and Capital Grants	7,034,089	648,606	434,187
<b>Total Program Revenue</b>	<u>7,240,374</u>	<u>1,056,768</u>	<u>603,501</u>
<b>General Revenue:</b>			
Property Taxes	7,742,400	7,805,267	6,598,714
State Sources	9,255,691	8,673,782	7,514,362
Investment Earnings	201,944	110,777	6,805
Other	185,155	121,838	126,754
<b>Total General Revenue</b>	<u>17,385,190</u>	<u>16,711,664</u>	<u>14,246,635</u>
<b>Total Revenues</b>	<u>24,625,564</u>	<u>17,768,432</u>	<u>14,850,136</u>
<b>Expenses</b>			
Instruction	19,209,800	17,976,715	9,709,515
Pupil Activities	5,012,883	203,904	172,794
Support and Administration	3,322,879	3,906,246	6,407,696
Interest and Fiscal Charges	1,531,320	3,877,327	410,911
<b>Total Expenses</b>	<u>29,076,882</u>	<u>25,964,192</u>	<u>16,700,916</u>
<b>Change in net position</b>	<u>(4,451,318)</u>	<u>(8,195,760)</u>	<u>(1,850,780)</u>
Net Position Beginning of Year	(18,004,400)	(9,808,640)	(7,957,860)
Net Position Restatement (See Note 10)	(1,289,873)	-	-
<b>Net Position End of Year</b>	<u>\$ (23,745,591)</u>	<u>\$ (18,004,400)</u>	<u>\$ (9,808,640)</u>

**Financial Analysis of the District's Funds**

The District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenue and other financing sources and uses of \$24.6 million, an increase of \$6.8 million from the previous year, primarily due to the BEST Grant revenue supporting the construction of the new intermediate and remodel of the primary school in the amount of \$6.5 million.

Total governmental expenditures were \$44.5 million, an increase of \$22.7 million from the previous year. This increase is primarily due to the capital expenditures associated with the construction of the intermediate and remodel of the primary school in the amount of \$23.1 million.

Bayfield School District 10 JtR  
 Management's Discussion and Analysis  
 For the fiscal year ended June 30, 2018

**Capital Assets**

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to \$62,497,061. This investment in capital assets includes land, improvements, construction work in process, buildings, and equipment and vehicles and the unexpended portion of bond proceeds.

Major capital asset events during the current fiscal year included the following:

- Major construction projects at the Bayfield Primary, Intermediate and Middle schools were reported as Construction Work in Process (CWIP).

**Summary of Net Investment In Capital Assets**

	<b>Governmental Activities</b>
Land	1,598,126
Construction in Progress	31,356,697
Buildings and Improvements	37,618,680
Vehicles and Equipment	4,140,876
<b>Total Capital Assets</b>	<b>74,714,379</b>
Less Accumulated Depreciation	(20,964,781)
Add Unspent Bond Proceeds	8,747,463
<b>Net Investment in Capital Assets</b>	<b>62,497,061</b>

Additional information on the District's capital assets can be found in Note 3 to the financial statements.

**Long-term Debt**

At June 30, 2018, the District had \$42,690,000 in general obligation bonds outstanding. Other long-term obligations include compensated absences in the amount of \$280,167.

More detailed information about the District's long-term liabilities is presented in Note 4 to the financial statements.

Bayfield School District 10 JtR  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018

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

The 2018-2019 fiscal year adopted budget includes \$14.4 million for estimated expenditures and transfers. The total estimated revenue for the 2018-2019 budget is \$13.9 million. The Bayfield School Board has approved the use of beginning budget to supplement the shortfall in estimated revenue. The estimated available fund balance at June 30, 2019 is \$2.7 million. The general fund revenue budget was based on a funded pupil count of 1,350 and per pupil funding of \$8,419. The projected state share of the program funding amount is \$11,364,986.

**Requests For Information**

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

Bayfield School District 10-JtR  
24 Clover Drive  
Bayfield, Colorado 81122  
(970) 884-2496

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# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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## STATEMENT OF NET POSITION June 30, 2018

### Assets And Deferred Outflows Of Resources

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash, cash equivalents and investments (Note 2)	\$ 16,826,348
Property tax receivable	365,990
Grants receivable	1,304,660
Inventory	13,374
Capital assets, net (Note 3):	
Nondepreciable	32,954,823
Depreciable	20,794,775
<b>Total Assets</b>	<u>72,259,970</u>
<b>Deferred Outflows Of Resources</b>	
Deferred outflows - pension (Note 5)	18,380,508
Deferred outflows - OPEB (Note 6)	63,719
Deferred loss on refunding	38,635
<b>Total Deferred Outflows Of Resources</b>	<u>18,482,862</u>

### Liabilities, Deferred Inflow Of Resources And Net Position

<b>Liabilities</b>	
Accounts payable	3,192,036
Accrued expenses	576,510
Accrued interest payable	39,974
Long-term liabilities:	
Due within one year (Note 4)	1,643,037
Due in more than one year (Note 4)	44,861,661
Pension liability (Note 5)	59,194,284
OPEB liability (Note 6)	1,351,747
<b>Total Liabilities</b>	<u>110,859,249</u>
<b>Deferred Inflows Of Resources</b>	
Deferred inflow - pension (Note 5)	3,606,560
Deferred inflow - OPEB (Note 6)	22,614
<b>Total Deferred Inflows Of Resources</b>	<u>3,629,174</u>
<b>Net Position</b>	
Net investment in capital assets	62,497,061
Restricted for:	
TABOR (Note 7)	429,769
Debt service	2,851,272
Food service	45,025
Unrestricted	(89,568,718)
<b>Total Net Position</b>	<u>\$ (23,745,591)</u>

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# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

## STATEMENT OF ACTIVITIES For The Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue And Changes In Net Position
		Charges For Services	Operating Grants And Contributions	Governmental Activities
<b>Governmental Activities</b>				
Instruction	\$ 19,209,800	\$ —	\$ 7,034,089	\$ (12,175,711)
Support services	5,012,883	—	—	(5,012,883)
Instructional support	3,322,879	206,285	—	(3,116,594)
Interest and fiscal charges	1,531,320	—	—	(1,531,320)
<b>Total Governmental Activiti</b>	\$ 29,076,882	\$ 206,285	\$ 7,034,089	(21,836,508)
<b>General Revenues</b>				
				7,742,400
				9,255,691
				201,944
				185,155
				<b>Total General Revenues</b>
				17,385,190
				<b>Change In Net Position</b>
				(4,451,318)
				<b>Net Position - Beginning Of Year</b>
				<b>(As Restated - Note 10)</b>
				(19,294,273)
				<b>Net Position - End Of Year</b>
				\$ (23,745,591)

# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

## BALANCE SHEET - GOVERNMENTAL FUNDS June 30, 2018

Assets					
	General Fund	Debt Service Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Cash, cash equivalents and investments	\$ 4,976,397	\$ 2,743,432	\$ 8,747,463	\$ 359,056	\$ 16,826,348
Receivables:					
Property tax	195,664	170,326	—	—	365,990
Grants	—	—	1,282,224	22,436	1,304,660
Inventories	—	—	—	13,374	13,374
<b>Total Assets</b>	<b>\$ 5,172,061</b>	<b>\$ 2,913,758</b>	<b>\$ 10,029,687</b>	<b>\$ 394,866</b>	<b>\$ 18,510,372</b>
<b>Liabilities, Deferred Inflow Of Resources And Fund Balance</b>					
<b>Liabilities</b>					
Accounts payable	\$ 101,985	\$ —	\$ 3,075,483	\$ 14,568	\$ 3,192,036
Accrued expenses	566,449	—	—	10,061	576,510
<b>Total Liabilities</b>	<b>668,434</b>	<b>—</b>	<b>3,075,483</b>	<b>24,629</b>	<b>3,768,546</b>
<b>Deferred Inflow Of Resources</b>					
Unavailable property tax revenue	44,976	62,486	—	—	107,462
<b>Fund Balance</b>					
Nonspendable	—	—	—	13,374	13,374
Restricted:					
Emergencies	429,769	—	—	—	429,769
Debt service	—	2,851,272	—	—	2,851,272
Food service	—	—	—	45,025	45,025
Assigned	—	—	6,954,204	311,838	7,266,042
Unassigned	4,028,882	—	—	—	4,028,882
<b>Total Fund Balance</b>	<b>4,458,651</b>	<b>2,851,272</b>	<b>6,954,204</b>	<b>370,237</b>	<b>14,634,364</b>
<b>Total Liabilities, Deferred Inflows Of Resources And Fund Balance</b>	<b>\$ 5,172,061</b>	<b>\$ 2,913,758</b>	<b>\$ 10,029,687</b>	<b>\$ 394,866</b>	<b>\$ 18,510,372</b>

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# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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

**June 30, 2018**

<b>Total Governmental Funds Balances</b>	<b>\$ 14,634,364</b>
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.	53,749,598
Unearned revenues are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	107,462
Deferred loss on refunding is recognized when incurred in the governmental funds and is deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue in the governmental funds when issued but are amortized in the statement of activities. The net unamortized portion of these long-term debt-related items is included with governmental activities.	
Bond premium	\$ (3,534,531)
Deferred loss on refunding	<u>38,635</u>
	(3,495,896)
Accrued interest payable is not due and payable in the current period and, therefore, is not reported in the funds.	(39,974)
Net pension and OPEB liabilities and related deferred outflows and deferred inflows are not considered current and, therefore, not reported in the funds.	(45,730,978)
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
General obligation bonds and other debt	(42,690,000)
Compensated absences	<u>(280,167)</u>
	<u>(42,970,167)</u>
<b>Net Position Of Governmental Activities</b>	<b><u>\$ (23,745,591)</u></b>

# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For The Year Ended June 30, 2018

	General	Debt Service Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
Property taxes	\$ 4,207,994	\$ 3,564,432	\$ —	\$ —	\$ 7,772,426
Grant revenue	—	—	6,588,548	—	6,588,548
Intergovernmental	9,255,691	—	—	246,428	9,502,119
Charges for services	—	—	—	206,285	206,285
Local sources	—	—	—	199,113	199,113
Investment income	27,867	635	173,442	—	201,944
Other	159,774	—	—	23,059	182,833
<b>Total Revenues</b>	<b>13,651,326</b>	<b>3,565,067</b>	<b>6,761,990</b>	<b>674,885</b>	<b>24,653,268</b>
<b>Expenditures</b>					
Current:					
Instruction	7,756,644	—	—	—	7,756,644
Supporting services	3,085,476	—	—	237,403	3,322,879
Operations and maintenance of facilities	1,531,320	—	—	—	1,531,320
Student transportation	755,563	—	—	9,025	764,588
Central services	865,522	—	—	429,751	1,295,273
Capital outlay	—	—	26,404,262	124,364	26,528,626
Debt service:					
Principal	—	1,534,000	—	—	1,534,000
Interest and fees	—	1,783,681	—	—	1,783,681
Other	—	—	6,636	—	6,636
<b>Total Expenditures</b>	<b>13,994,525</b>	<b>3,317,681</b>	<b>26,410,898</b>	<b>800,543</b>	<b>44,523,647</b>
<b>Excess (Deficiency) Revenues Over (Under)</b>					
<b>Expenditures</b>	(343,199)	247,386	(19,648,908)	(125,658)	(19,870,379)
<b>Other Financing Sources (Uses)</b>					
Interfund transfers	(10,000)	—	—	10,000	—
<b>Net Change In Fund Balance</b>	<b>(353,199)</b>	<b>247,386</b>	<b>(19,648,908)</b>	<b>(115,658)</b>	<b>(19,870,379)</b>
<b>Fund Balance - Beginning Of Year</b>	<b>4,811,850</b>	<b>2,603,886</b>	<b>26,603,112</b>	<b>485,895</b>	<b>34,504,743</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 4,458,651</b>	<b>\$ 2,851,272</b>	<b>\$ 6,954,204</b>	<b>\$ 370,237</b>	<b>\$ 14,634,364</b>

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**RECONCILIATION OF THE GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2018**

**Net Change In Fund Balances - Total Governmental Funds** \$ (19,870,379)

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

Governmental funds report capital outlays as expenditures.

However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation in the current period.

Capital outlay	\$ 26,327,726	
Depreciation expense	<u>(1,421,702)</u>	24,906,024

Net effect of sale of capital assets and related decrease net position (21,977)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (30,026)

The issuance of long-term debt (i.e., bonds and leases) provides current financial resources to governmental funds, while the repayment of principle of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.

Bond principal payments	1,534,000	
Net activity of bond premiums	203,200	
Net activity relate to amortizing deferred loss on refundings	(46,742)	
Change in compensated absences	<u>61,932</u>	1,868,283

Pension and OPEB expenses related to the cost-sharing multiple-employer defined benefit pension fund, net of contributions, are recognized on a government-wide basis and not included in the fund statements. (11,303,243)

**Change In Net Position Of Governmental Activities** \$ (4,451,318)

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**STATEMENT OF FIDUCIARY NET POSITION -  
STUDENT ACTIVITY FUND**

**June 30, 2018**

**(With Comparative Actual Totals At June 30, 2017)**

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash	\$ 248,351	\$ 220,880
<hr/>		
<b>Liabilities</b>		
Due to student groups	\$ 248,351	\$ 220,880
<hr/>		

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# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### 1. Summary Of Significant Accounting Policies

#### **Reporting Entity**

The financial statements of the Bayfield School District Number 10-JTR (the District) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units and the *Financial Policies and Procedures Handbook* as prescribed by state law. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

The District was organized under the provisions of Colorado statutes for the purpose of operating elementary and secondary schools in Bayfield, Colorado.

The inclusion or exclusion of component units is based on a determination of the elected officials' financial accountability to their constituents and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government and discretely presented component units. The criteria used to determine whether an entity should be included, either blended or discretely presented, includes, but is not limited to, fiscal dependency, imposition of will, legal standing and the primary recipient of services. The District has no component units included in this report.

#### **Measurement Focus, Basis Of Accounting And Basis Of Presentation**

##### ***District-Wide And Fund Financial Statements***

The District-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities are normally supported by taxes and intergovernmental revenues.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus.

The District has the following fund types and account groups:

***Governmental Funds*** are used to account for the District's general government activities. Governmental funds financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are measurable and available). "Measurable" means the amount of the transaction can be determined, and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The District considers all revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for certain long-term obligations. These include unmatured principal and interest on general long-term debt, which is recognized when due, and compensated absences, which are recognized when due and payable.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

Property taxes, interest, grants and entitlements are susceptible to accrual. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible-to-accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The major governmental funds are:

- The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Colorado Preschool Project Fund* - This fund is used to account for revenues and expenditures associated with the Colorado Preschool Project. This fund is blended with the General Fund.
- *Debt Service Fund* - This fund accounts for servicing of general long-term debt.
- *Building Fund* - This fund is used to account for funds to be utilized in capital projects financed by debt issuances authorized by voters in November 2012.

The nonmajor governmental funds are:

- *Governmental Designated Purpose Grants Fund* - This fund is used to account for revenues and expenditures associated with federal and state grants.
- *Food Service Fund* - This fund is used to account for the operations of the school lunch programs.
- *Capital Projects Fund* - This fund is used to account for funds used to purchase capital assets, with the exception of those projects financed by debt issuances authorized by voters in November 2012.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

***Fiduciary Funds*** include the following fund:

- *Student Activity Fund* - This fund is used to account for the funds that belong to the various student activity groups throughout the District.

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

### **Assets, Deferred Outflows Of Resources, Liabilities, Deferred Inflows Of Resources And Net Position/Fund Balance**

#### ***Deposits And Investments***

Cash and cash equivalents include all interest or equity in pooled cash and investments. The District pools cash for some funds for management and investment purposes. These funds have an interest in the pool, which is available upon demand. Investments in securities are measured at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*. Investments in joint ventures by governmental funds are recorded as expenditures at the time the investment is made.

#### ***Receivables And Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either interfund receivables/payables (i.e., the current portion of interfund loans) or advances to/from other funds (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as due to pooled cash/due from pooled cash.

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessors generally as of January 1 of each year. The levy is set by December 15 by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year.

The County Treasurers collect the determined taxes during the ensuing calendar year. The taxes are payable by April 30 or, if in equal installments, at the taxpayers' election, on February 28 and June 15. Delinquent taxpayers are notified in August, and tax sales of the liens on delinquent properties are held in November. The County Treasurers generally remit the taxes collected monthly to the District.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

#### ***Inventories***

Inventories are held by the Food Service Fund and are valued at cost using the first-in/first-out method. The District utilizes the purchase method of accounting for inventory. The federal government donates surplus commodities to supplement the National School Lunch and Breakfast Programs. Such commodities are recorded as nonoperating revenues.

#### ***Capital Assets***

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their acquisition value at the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives of 5 to 30 years. The District's capitalization threshold is \$5,000.

#### ***Deferred Outflows/Inflows Of Resources***

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes include a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period or periods and so will not be recognized as an outflow of resources until then. The District has recognized deferred outflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* (GASB 68), GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* (GASB 71) and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). Also, deferred losses on refundings are reported in the statement of net position as a deferred outflow of resources.

In addition to liabilities, the statement of net position and governmental funds balance sheet will sometimes include a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period or periods and so will not be recognized as an inflow of resources until then. The District has multiple types that qualify for reporting in this category. Unavailable property tax revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Also, the District has recognized deferred inflows of resources in the government-wide financial statements in accordance with presentation requirements for GASB 68, GASB 71 and GASB 75.

***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 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.

***Postemployment Benefits Other Than Pensions***

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan and is administered by 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 HCTF 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, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

***Compensated Absences***

Each employee of the District may accumulate a total of 60 days of sick leave. However, employees are paid for the accumulated sick leave upon retirement or other termination.

The District accrues a liability for compensated absences, which meet the following criteria:

- The District's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

- Payment of the compensation is probable.
- The amount can be reasonably estimated.

These compensated absences are recognized as current salary costs when due in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

#### ***Accrued Salaries***

Salaries and benefits to teachers and certain other employees are paid over a 12-month period from August 31 to August 30, but are earned over a school year of approximately 9 months. The salaries earned, but unpaid, at June 30, 2018, are reflected in the financial statements as an accrued liability.

#### ***Long-Term Obligations***

The District reports long-term debt of governmental funds at face value in the District-wide financial statements.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as another financing source, net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. Issuance costs are also expensed in the government-wide statement of activities.

#### ***Fund Balance***

The District has not adopted fund balance policies; therefore, the District will follow the guidance in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and apply resources in the following order: restricted, committed, assigned and unassigned. Fund balance restricted for emergencies reflects equity which is restricted for emergency purposes by the Taxpayer Bill of Rights Amendment (TABOR) of the State of Colorado Constitution. "Emergency" excludes economic conditions, revenue shortfalls or District salary or fringe benefit increases. In the fund financial statements, the governmental funds report the following classifications of fund balance:

- *Nonspendable* - includes items not expected to be converted to cash in the near term (e.g., inventories and prepaids) or funds that legally or contractually must be maintained intact

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

- *Restricted* - amounts constrained to specific purposes by their providers (such as grantors, bondholders and higher levels of government) through constitutional provisions or by enabling legislation
- *Committed* - consists of funds intended to be used for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified or rescinded only through resolutions approved by the Board of Education.
- *Assigned* - consists of funds intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The District has delegated the authority to the Superintendent, or his designee, to assign funds and amounts to be used for specific purposes.
- *Unassigned* - the residual classification of the General Fund which includes all spendable amounts not contained in other classifications. This category also provides the resources necessary to meet any unexpected expenditures and revenue shortfalls.

### **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. All interfund transfers are reported as operating transfers.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

#### **Joint Venture**

The District participates in joint ventures created for special purposes which are not part of the District's reporting entity. The following is a related organization in which the District participates:

- ***San Juan Board of Cooperative Educational Services*** - The District is one of five school districts that are members of the San Juan Board of Cooperative Educational Services (the BOCES). The BOCES is a regional education service unit created under the Board of Cooperative Services Act of 1965 of the Colorado Revised Statutes (CRS). The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. A board, made up of representatives from each member district's board, governs the BOCES. The governing board is autonomous as to budgeting and fiscal matters. The BOCES is not fiscally dependent upon the District, and is not considered a component unit under GASB Statement Nos. 14, 39 and 61. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at 970.247.3261.

#### **Comparative Data**

The basic financial statements include certain prior-year summarized comparative information in total, but not at the level of detail required for a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

#### **Estimates**

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses. Actual results could differ from these estimates.

#### **Budgetary Information**

Annual budgets are adopted on a basis consistent with GAAP for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. In April, the Superintendent of Schools submits to the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Education to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds. The appropriated budget is prepared by fund.

The District's department heads may not make transfers of appropriations. The legal level of control is the fund level.

Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education.

Variances between budget and actual results can arise from the nonexpenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects and normal operating variances. For the year ended June 30, 2018, the General Fund's expenditures exceeded appropriations.

## **2. Cash, Cash Equivalents And Investments**

### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. As of June 30, 2018, the District had bank deposits of \$17,365,010, of which \$1,000,000 was covered by the Federal Deposit Insurance Corporation and the remainder was covered by PDPA.

### **Investments**

The District follows the Colorado State Statute investment requirements. Beyond Colorado State Statute requirements, the District does not have a written investment policy that limits the District's allowable deposits or investments and addresses the specific types of risk to which the District is exposed.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Corporate bonds holding one of the two highest credit rating categories
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted market prices in active markets for identical assets, Level 2 inputs are significant other observable inputs and Level 3 inputs are significant unobservable inputs.

As of June 30, 2018, the District had no investments required to be categorized in the fair value hierarchy.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

### Notes To Financial Statements (Continued)

#### 3. Capital Assets

The following is a summary of changes in capital assets for the year ended June 30, 2018:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<b>Nondepreciable Capital Assets</b>				
Land	\$ 1,598,126	\$ —	\$ —	\$ 1,598,126
Construction in progress	5,156,618	26,200,079	—	31,356,697
<b>Total Nondepreciable Capital Assets</b>	<b>6,754,744</b>	<b>26,200,079</b>	<b>—</b>	<b>32,954,823</b>
<b>Depreciable Capital Assets</b>				
Buildings	37,029,768	7,162	(97,354)	36,939,576
Vehicles and equipment	4,054,947	120,485	(130,000)	4,045,432
Software	95,444	—	—	95,444
Improvements	679,104	—	—	679,104
<b>Total Gross Depreciable Capital Assets</b>	<b>41,859,263</b>	<b>127,647</b>	<b>(227,354)</b>	<b>41,759,556</b>
<b>Accumulated Depreciation</b>	<b>(19,748,456)</b>	<b>(1,421,702)</b>	<b>205,377</b>	<b>(20,964,781)</b>
<b>Total Depreciable Capital Assets</b>	<b>22,110,807</b>	<b>(1,294,055)</b>	<b>(21,977)</b>	<b>20,794,775</b>
<b>Capital Assets, Net</b>	<b>\$ 28,865,551</b>	<b>\$ 24,906,024</b>	<b>\$ (21,977)</b>	<b>\$ 53,749,598</b>

Depreciation expense of \$1,421,702 was charged to the statement of activities for the year ending June 30, 2018.

#### 4. Long-Term Obligations

During the period ended June 30, 2018, the following changes occurred in liabilities reported in the general long-term debt account group:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Current
<b>Bonds and Notes</b>					
G.O. refunding					
Series 2008	\$ 360,000	\$ —	\$ 360,000	\$ —	\$ —
Series 2012	4,385,000	—	—	4,385,000	—
Series 2013	7,515,000	—	—	7,515,000	—
Series 2015	3,195,000	—	435,000	2,760,000	815,000
Series 2016	28,700,000	—	670,000	28,030,000	635,000
Promissory note	69,000	—	69,000	—	—
<b>Total Bonds</b>	<b>44,224,000</b>	<b>—</b>	<b>1,534,000</b>	<b>42,690,000</b>	<b>1,450,000</b>
Bond premiums	3,737,731	—	203,200	3,534,531	193,037
Compensated absences	342,099	200,579	262,511	280,167	—
<b>Total</b>	<b>\$ 48,303,830</b>	<b>\$ 200,579</b>	<b>\$ 1,999,711</b>	<b>\$ 46,504,698</b>	<b>\$ 1,643,037</b>

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

Compensated absences of the governmental activities are expected to be liquidated with revenues of the General and Food Service Funds.

#### **General Obligation Refunding Bonds, Series 2008**

Bonds were issued September 16, 2008 totaling \$6,120,000. Proceeds of these bonds were to establish an escrow sufficient to refund the remaining balance of \$6,150,000 of the General Obligation Refunding Bonds, Series 1998 and 1999. The bonds are payable in denominations of \$5,000, and interest rates range from 3.0% to 4.0%. This bond was repaid in full during the fiscal year.

#### **General Obligation Bonds, Series 2012**

Bonds were issued December 28, 2012 totaling \$4,385,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, as approved by voters in the November 2012 election. The bonds are payable in denominations of \$5,000, and the interest rate is 4.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2029 and each year thereafter to 2032.

#### **General Obligation Bonds, Series 2013**

Bonds were issued April 24, 2013 totaling \$7,515,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, as approved by voters in the November 2012 election. The bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 4.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2020 and each year thereafter to 2028.

#### **General Obligation Refunding Bonds, Series 2015**

Bonds were issued November 18, 2015 totaling \$3,535,000. Proceeds of these bonds were to establish an escrow sufficient to refund the remaining balance of the General Obligation Refunding Bonds, Series 2005. The Bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 3.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning December 1, 2016 and each year thereafter to 2024.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

#### **General Obligation Bonds, Series 2016**

Bonds were issued December 6, 2016 totaling \$28,700,000. Proceeds of these bonds were to finance the acquisition, construction and equipping of certain capital improvements, specifically a new grade 3 - 5 elementary school and renovating the existing elementary school, as approved by voters in the November 2016 election. The bonds are payable in denominations of \$5,000, and interest rates range from 2.0% to 5.0%. Interest is due semiannually on June 1 and December 1. Principal payments are due beginning June 1, 2017 and each year thereafter to 2041.

#### **Promissory Note**

On January 12, 2016, the District entered into a promissory note to finance the purchase of two passenger buses. The promissory note is payable in two equal payments of \$69,000. This note was repaid in full during the fiscal year.

Annual debt service requirements to maturity for all outstanding bonds and long-term debt are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2019	\$ 1,810,775	\$ 1,450,000	\$ 3,260,775
2020	1,757,675	1,495,000	3,252,675
2021	1,702,550	1,555,000	3,257,550
2022	1,649,500	1,605,000	3,254,500
2023	1,594,350	1,660,000	3,254,350
2024 - 2028	6,838,600	9,370,000	16,208,600
2029 - 2033	4,534,875	11,170,000	15,704,875
2034 - 2038	2,367,625	7,265,000	9,632,625
2039 - 2042	583,600	7,120,000	7,703,600
<b>Total</b>	<b>\$ 22,839,550</b>	<b>\$ 42,690,000</b>	<b>\$ 65,529,550</b>

## **5. Employee Retirement Plan - Defined Benefit Pension Plan**

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

***Benefits Provided As Of December 31, 2017*** - PERA provides retirement, disability and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement and age at retirement. Retirement eligibility is specified in tables set forth at CRS § 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 following:

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

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

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

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

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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 CRS. 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for SCHDTF.

Disability benefits are available for eligible employees once they reach 5 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 SCHDTF at a rate set by Colorado statute. The contribution requirements are established under CRS § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (Continued)

The employer contribution requirements are summarized in the table below.

	<b>For The Year Ended December 31, 2018</b>	For The Year Ended December 31, 2017
Employer contribution rate <sup>1</sup>	10.15%	10.15%
Amount of employer contribution apportioned to HCTF as specified in CRS 24-51-208(1)(f)	-1.02%	-1.02%
Amount apportioned to SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified by CRS 24-51-411	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in CRS 24-51-411	5.50%	5.00%
<b>Total Employer Contribution Rate To SCHDTF<sup>1</sup></b>	<b>19.13%</b>	<b>18.63%</b>

<sup>1</sup> Rates are expressed as a percentage of salary as defined in CRS 24-51-101(42)

Employer contributions are recognized by SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to SCHDTF. Employer contributions recognized by SCHDTF from the District were \$1,697,838 for the fiscal year ended June 30, 2018.

***Pension Liabilities, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To Pensions*** - At June 30, 2018, the District reported a liability of \$59,194,284 for its proportionate share of the net pension liability. The net pension liability 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 District's contributions to SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to SCHDTF.

At December 31, 2017, the District's portion was 0.1831%, which was an increase of 0.0022% from its portion measured as of December 31, 2016.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$11,282,474. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to its pension from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ 1,084,156	\$ 3,498,112
Changes of assumptions	14,988,646	94,889
Net difference between projected and actual earnings on pension plan investments	1,132,413	—
Changes in proportion and differences between District contributions and proportionate share of contributions	300,711	13,559
District's contributions subsequent to the measurement date	874,582	—
<b>Total</b>	<b>\$ 18,380,508</b>	<b>\$ 3,606,560</b>

The amount of \$874,582 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Total</b>
2019	\$ 9,315,621
2020	5,360,230
2021	98,044
2022	(874,529)
Thereafter	—
<b>Total Outflows</b>	<b>\$ 13,899,366</b>

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA benefit structure hired prior to January 1, 2007 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after December 31, 2006 ( <i>ad hoc</i> , substantively automatic)	Financed by the annual increase reserve (AIR)

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, as well as the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board on November 28, 2016.

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10-Year Expected Geometric Real Rate Of Return</b>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non-U.S. Equity - Developed	18.55%	5.20%
Non-U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

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

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

Based on the above assumptions and methods, the projection test indicates 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% 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 Board of Governors of the Federal Reserve System, 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%, resulting in a discount rate of 4.78%.

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

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

***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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate:

	<b>1% Decrease (3.78%)</b>	<b>Current Discount Rate (4.78%)</b>	<b>1% Increase (5.78%)</b>
Proportionate share of the net pension liability	\$ 74,772,449	\$ 59,194,284	\$ 46,499,859

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

***Changes Between The Measurement Date Of The Net Pension Liability And June 30, 2018*** - During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate With a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years* (SB 18-200). The bill was signed into law by the Governor of Colorado 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 SCHDTF and thereby reach a 100% funded ratio for each division within the next 30 years.

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

- Increases employer contribution rates by 0.25% on July 1, 2019
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years beginning 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 SCHDTF based on the proportionate amount of annual payroll of SCHDTF to the other divisions eligible for the direct distribution

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

- 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 keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$59,194,284 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 and estimate of what the District's proportionate share of the net pension liability an associated discount rate would have been had the provisions of SB 18-200, applicable to SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experiences and other factors.

<b>Estimated Discount Rate Calculated Using Plan Provisions Required By SB 18-200 (Pro Forma)</b>	<b>Proportionate Share Of The Estimated Net Pension Liability Calculated Using Plan Provisions Required By SB 18-200 (Pro Forma)</b>
7.25	\$ 54,375,662

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 \$4,818,622 of the estimated reduction is attributable to the use of a 7.25% discount rate.

**6. Employee Retirement Plan - Defined Benefit OPEB Plan**

**Plan Description** - Eligible employees of the District are provided with OPEB through HCTF, a cost-sharing multiple-employer defined OPEB plan administered by PERA. HCTF is established under Title 24, Article 51, Part 12, of CRS, 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 CRS, 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 (PERACare), including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits Provided** - HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans; however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in DPS Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between 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.

CRS § 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 PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, 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.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*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% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, HCTF or 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 CRS, as amended, certain contributions are apportioned to HCTF. PERA-affiliated employers of the State, School, Local Government and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into HCTF.

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (Continued)

Employer contributions are recognized by 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 HCTF from the District were \$44,272 for the year ended June 30, 2018.

#### ***OPEB Liabilities, Pension Expense, Deferred Outflows Of Resources And Deferred Inflows Of Resources Related To OPEB***

At June 30, 2018, the District reported a liability of \$1,351,747 for its proportionate share of the net OPEB liability. The net OPEB liability for 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 HCTF for the calendar year 2017 relative to the total contributions of participating employers to HCTF.

At December 31, 2017, the District's proportion was 0.1040%, which was an increase of 0.0012% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$20,769. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows Of Resources</b>	<b>Deferred Inflows Of Resources</b>
Differences between expected and actual experience	\$ 6,393	\$ —
Net difference between projected and actual earnings on OPEB plan investments	—	22,614
Changes in proportion and differences between District contributions and proportionate share of contributions	13,054	—
District's contributions subsequent to the measurement date	44,272	—
<b>Total</b>	<b>\$ 63,719</b>	<b>\$ 22,614</b>

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

The amount of \$44,272 reported as deferred outflows of resources related to the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year</b>	
<b>Ended June 30,</b>	
2019	\$ (1,454)
2020	(1,833)
2021	(1,833)
2022	(1,833)
2023	3,821
Thereafter	(35)
<b>Total</b>	<b>\$ (3,167)</b>

### ***Actuarial Assumptions***

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*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:

<b>Year</b>	<b>PERACare Medicare Plan</b>	<b>Medicare Part A Premiums</b>
2017	5.00	3.00
2018	5.00	3.25
2019	5.00	3.50
2020	5.00	3.75
2021	5.00	4.00
2022	5.00	4.00
2023	5.00	4.25
2024+	5.00	4.25

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

Healthy, post retirement mortality assumptions for the 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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% 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% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above and further adjustments for credibility
- Females: Mortality improvement projected to 2020 using the MP 2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above and further adjustments for credibility

The mortality assumption for disabled retirees was based on 90% 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 HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*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 the PERA Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for 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 by the investment consultant 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10-Year Expected Geometric Real Rate Of Return</b>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non-U.S. Equity - Developed	18.55%	5.20%
Non-U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non-U.S. Fixed Income	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

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

## BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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### Notes To Financial Statements (*Continued*)

#### ***Sensitivity Of The Collective Net OPEB Liability To Changes In The Health Care Cost Trend Rates***

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<b>1% Decrease In Trend Rates</b>	<b>Current Trend Rates</b>	<b>1% Increase In Trend Rates</b>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB liability	\$ 1,519,788	\$ 1,351,747	\$ 1,208,318

#### ***Discount Rate***

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

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

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

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

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ 1,519,788	\$ 1,351,747	\$ 1,208,318

#### ***OPEB Fiduciary Net Position***

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

**7. Tax, Spending And Debt Limitation**

In November 1992, Colorado voters approved TABOR, containing tax, spending and debt limitations on the state and local governments. TABOR limits increase in revenues and expenditures to the rate of inflation and local growth. In November 2001, a majority of the District's electors authorized the District to collect and spend or retain, in a reserve, all currently levied taxes and other revenue of the District without regard to any limitations under TABOR. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this amendment. TABOR also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted at June 30, 2018 for this purpose was \$429,769.

**8. Contingencies**

**Litigation** - The District is occasionally involved in various claims and pending legal actions related to matters arising from the ordinary conduct of business. The District believes the ultimate disposition of the actions will not have a material effect on the financial statements.

**9. Risk Of Loss**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters. The District has property and casualty insurance with the Colorado School Districts Self-Insurance Pool (the Pool), which shares risks among its members. Participation in the Pool is approved by and managed under regulations promulgated by the Colorado State Insurance Division of Regulatory Agencies. The District pays an annual premium to the Pool for its general property and liability insurance coverage. The agreement with the Pool ensures that the Pool will be self-sustaining through member premiums. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Under the terms of federal and state grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grant. Such audits could lead to reimbursement to the grantor agencies. District management believes disallowances, if any, resulting from any such audits would be immaterial. There are currently no material disallowances or questioned costs.

## **BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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### Notes To Financial Statements (*Continued*)

#### **10. Restatement**

Effective July 1, 2017, the District adopted GASB 75. The primary objective of these statements is to improve the accounting and financial reporting by state and local governments for OPEB. As a result of implementing these statements, the District recognized its proportionate share of a net OPEB liability and the related deferred inflows and outflows (refer to Note 6).

The effect of the restatement is as follows:

		<u><b>Governmental Activities</b></u>
<b>Net Position - June 30, 2017</b>		\$ (18,004,400)
Adjustment for OPEB		
Net OPEB liability	\$ (1,332,938)	
Deferred outflow	43,065	(1,289,873)
		<u>                    </u>
<b>Net Position - June 30, 2017 As Restated</b>		<u><u>\$ (19,294,273)</u></u>

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## **Required Supplementary Information**

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## **Major Funds**

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**General Fund** - The General Fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The Colorado Preschool Project Fund is blended with the General Fund.

# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

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

For The Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 4,288,407	\$ 4,158,235	\$ 4,207,994	\$ 49,759
Intergovernmental revenue:				
Grants	30,000	30,000	89,737	59,737
State sources:				
Equalization	10,178,022	8,619,420	8,615,145	(4,275)
Other state	233,897	233,897	550,809	316,912
Miscellaneous revenue:				
Interest	—	5,000	27,867	22,867
Other	10,881	125,172	159,774	34,602
<b>Total Revenues</b>	<b>14,741,207</b>	<b>13,171,724</b>	<b>13,651,326</b>	<b>479,602</b>
<b>Expenditures</b>				
Instruction	7,143,335	8,129,415	7,756,644	372,771
Supporting services:				
Instruction	691,381	838,107	830,555	7,552
Students	576,793	476,393	456,204	20,189
General administration	414,439	562,913	553,771	9,142
School administration	880,662	867,732	821,172	46,560
Business services	436,862	381,862	423,774	(41,912)
Operations and maintenance of plant	1,442,193	1,537,193	1,531,320	5,873
Student transportation	677,369	764,419	755,563	8,856
Central services	434,584	664,584	865,522	(200,938)
<b>Total Expenditures</b>	<b>12,697,618</b>	<b>14,222,618</b>	<b>13,994,525</b>	<b>228,093</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>2,043,589</b>	<b>(1,050,894)</b>	<b>(343,199)</b>	<b>707,695</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	(10,000)	—	377,025	377,025
Transfers out	(391,350)	(391,350)	(387,025)	4,325
<b>Total Other Financing Sources</b>	<b>(401,350)</b>	<b>(391,350)</b>	<b>(10,000)</b>	<b>381,350</b>
<b>Changes In Fund Balance</b>	<b>1,642,239</b>	<b>(1,442,244)</b>	<b>(353,199)</b>	<b>1,089,045</b>
<b>Fund Balance - Beginning Of Year</b>	<b>4,811,850</b>	<b>4,811,850</b>	<b>4,811,850</b>	<b>—</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 6,454,089</b>	<b>\$ 3,369,606</b>	<b>\$ 4,458,651</b>	<b>\$ 1,089,045</b>

Notes to Required Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY**

**For The Year Ended December 31, (Measurement Date)**

**Employee Pension Plan**

**Year Four\*\***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	<b>0.183057484%</b>	0.180868633%	0.181097114%	0.180734064%
District's proportionate share of the net pension liability	<b>\$ 59,194,285</b>	\$ 53,851,587	\$ 27,697,525	\$ 24,496,537
District's covered payroll	<b>\$ 9,113,338</b>	\$ 9,089,658	\$ 8,202,664	\$ 7,914,626
District's proportionate share of the net pension liability as a percentage of its covered payroll	<b>650%</b>	592%	338%	309%
Plan fiduciary net position as a percentage of the total pension liability	<b>43.96%</b>	43.10%	59.20%	62.84%

\*\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS TO THE PENSION PLAN  
For The Year Ended June 30, (Fiscal Year End Date)  
Employee Pension Plan  
Year Four\*\***

	2018	2017	2016	2015
Contractually required contribution	\$ 1,697,838	\$ 1,576,024	\$ 1,470,551	\$ 1,424,582
Contributions in relation to the contractually required contribution	<b>(1,697,838)</b>	<b>(1,576,024)</b>	<b>(1,470,551)</b>	<b>(1,424,582)</b>
<b>Contribution Deficiency</b>	\$ —	\$ —	\$ —	\$ —
District's covered payroll	\$ 9,113,338	\$ 9,089,658	\$ 8,202,644	\$ 7,914,626
Contributions as a percentage of covered-employee payroll	<b>18.63%</b>	17.34%	17.93%	18.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY - HCTF**

**For The Year Ended December 31, (Measurement Date)  
Year One\*\***

	<u>2017</u>
District's proportion of the net OPEB liability	0.104012493%
District's proportionate share of the net OPEB liability	\$ 1,351,747
District's covered payroll	9,113,338
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	14.83%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%

\*\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
TO THE PENSION PLAN - HCTF  
For The Year Ended June 30, (Fiscal Year End Date)  
Year One\*\***

	<u>2018</u>
Contractually required contribution	\$ 44,272
Contributions in relation to the contractually required contribution	<u>(44,272)</u>
<b>Contribution Deficiency (Excess)</b>	<b><u>\$ —</u></b>
District's covered payroll	\$ 9,113,338
Contributions as a percentage of covered payroll	0.49%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2018**

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**1. Budgetary Information**

Annual budgets are adopted on a basis consistent with GAAP for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

**2. Expenditures/Expenses In Excess of Appropriations**

Colorado's budget law requires that expenditures and transfers for a department or fund cannot exceed the appropriations for that department or fund. Appropriations for a department or fund may be increased, provided unanticipated resources offset them.

The budget is controlled at the category line item level within each division within each fund. However, the legal level of appropriation is at the fund level. If the division expenditures exceed the division budget by more than \$500, then the expenditures are deemed to be in excess of the appropriations.

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## Supplementary Information

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**  
**COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS -**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2018**

<b>Assets</b>				
<b>Special Revenue Funds</b>				
	<b>Governmental Designated Purpose Grants Fund</b>	<b>Food Service Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Fund</b>
Cash, cash equivalents and investments	\$ —	\$ 47,218	\$ 311,838	\$ 359,056
Other accounts receivable	22,436	—	—	22,436
Inventories	—	13,374	—	13,374
<b>Total Assets</b>	<b>\$ 22,436</b>	<b>\$ 60,592</b>	<b>\$ 311,838</b>	<b>\$ 394,866</b>

<b>Liabilities And Fund Balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 14,568	\$ —	\$ —	\$ 14,568
Accrued salaries payable	7,868	2,193	—	10,061
<b>Total Liabilities</b>	<b>22,436</b>	<b>2,193</b>	<b>—</b>	<b>24,629</b>
<b>Fund Balance</b>				
Nonspendable	—	13,374	—	13,374
Restricted	—	45,025	—	45,025
Assigned	—	—	311,838	311,838
<b>Total Fund Balance</b>	<b>—</b>	<b>58,399</b>	<b>311,838</b>	<b>370,237</b>
<b>Total Liabilities And Fund Balance</b>	<b>\$ 22,436</b>	<b>\$ 60,592</b>	<b>\$ 311,838</b>	<b>\$ 394,866</b>

**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS  
For The Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>			<b>Total Nonmajor Governmental Fund</b>
	<b>Governmental Designated Purpose Grants Fund</b>	<b>Food Service Fund</b>	<b>Capital Projects Fund</b>	
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 158,514	\$ —	\$ —	\$ 158,514
State	80,035	—	—	80,035
Local	7,879	—	—	7,879
Charges for services	—	206,285	—	206,285
Operating grants and contributions	—	199,113	—	199,113
Other	—	14,743	8,316	23,059
<b>Total Revenues</b>	246,428	420,141	8,316	674,885
<b>Expenditures</b>				
Supporting service	237,403	—	—	237,403
Transportation	9,025	—	—	9,025
Food and milk	—	429,751	—	429,751
Capital outlay	—	—	124,364	124,364
<b>Total Expenditures</b>	246,428	429,751	124,364	800,543
<b>Deficiency Of Revenues Under Expenditures</b>	—	(9,610)	(116,048)	(125,658)
<b>Other Financing Sources</b>				
Transfers in	—	10,000	—	10,000
<b>Changes In Fund Balance</b>	—	390	(116,048)	(115,658)
<b>Fund Balance - Beginning Of Year</b>	—	58,009	427,886	485,895
<b>Fund Balance - End Of Year</b>	\$ —	\$ 58,399	\$ 311,838	\$ 370,237

## **Major Funds**

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**Debt Service Fund** - This fund is used to account for the accumulation of resources for payment of general obligation long-term debt principal and interest. Revenues are based upon a property tax mill levy set by the School Board to redeem the District's bonded indebtedness.

**Building Fund** - This fund is used to account for funds to be utilized in capital projects financed by debt issuances authorized by voters in November 2012.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
DEBT SERVICE FUND****For The Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Taxes	\$ 3,220,506	\$ 3,220,506	\$ 3,564,432	\$ 343,926
Interest income	—	—	635	635
<b>Total Revenues</b>	<b>3,220,506</b>	<b>3,220,506</b>	<b>3,565,067</b>	<b>344,561</b>
<b>Expenditures</b>				
Debt service:				
Principal	1,465,000	1,465,000	1,465,000	—
Interest	1,853,600	1,853,600	1,852,681	919
<b>Total Expenditures</b>	<b>3,318,600</b>	<b>3,318,600</b>	<b>3,317,681</b>	<b>919</b>
<b>Changes In Fund Balance</b>	<b>(98,094)</b>	<b>(98,094)</b>	<b>247,386</b>	<b>345,480</b>
<b>Fund Balance - Beginning Of Year</b>	<b>2,603,886</b>	<b>2,603,886</b>	<b>2,603,886</b>	<b>—</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 2,505,792</b>	<b>\$ 2,505,792</b>	<b>\$ 2,851,272</b>	<b>\$ 345,480</b>

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
BUILDING FUND****For The Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Grant revenue	\$ 8,300,000	\$ 8,300,000	\$ 6,588,548	\$ (1,711,452)
Interest	10,000	10,000	173,442	163,442
<b>Total Revenues</b>	<b>8,310,000</b>	<b>8,310,000</b>	<b>6,761,990</b>	<b>(1,548,010)</b>
<b>Expenditures</b>				
Capital outlay:	31,000,000	34,913,112	26,404,262	8,508,850
Miscellaneous	—	—	6,636	(6,636)
<b>Total Expenditures</b>	<b>31,000,000</b>	<b>34,913,112</b>	<b>26,410,898</b>	<b>8,502,214</b>
<b>Changes In Fund Balance</b>	<b>(22,690,000)</b>	<b>(26,603,112)</b>	<b>(19,648,908)</b>	<b>6,954,204</b>
<b>Fund Balance - Beginning Of Year</b>	<b>26,603,112</b>	<b>26,603,112</b>	<b>26,603,112</b>	<b>—</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 3,913,112</b>	<b>\$ —</b>	<b>\$ 6,954,204</b>	<b>\$ 6,954,204</b>

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

## **Nonmajor Governmental Funds**

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**Governmental Designated Purpose Grants Fund -** This fund is used to account for revenues and expenditures from federal, state and local grants.

**Food Service Fund -** This fund is used to account for the operations of the District's school lunch program.

**Capital Projects Fund -** This fund is used to account for the revenues allocated for capital expenditures, except for those projects related to the issuance of debt approved in the November 2012 election.

**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND  
For The Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Intergovernmental:				
Federal	\$ 126,003	\$ 193,877	\$ 158,514	\$ (35,363)
State	53,997	80,035	80,035	—
Local	—	11,520	7,879	(3,641)
<b>Total Revenues</b>	<b>180,000</b>	<b>285,432</b>	<b>246,428</b>	<b>(39,004)</b>
<b>Expenditures</b>				
Supporting services	177,171	282,603	237,403	45,200
Transportation	2,829	2,829	9,025	(6,196)
<b>Total Expenditures</b>	<b>180,000</b>	<b>285,432</b>	<b>246,428</b>	<b>39,004</b>
<b>Net Change In Fund Balance</b>	—	—	—	—
<b>Fund Balance - Beginning Of Year</b>	—	—	—	—
<b>Fund Balance - End Of Year</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ —</b>

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.  
This schedule is presented on a GAAP basis.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
FOOD SERVICE FUND****For The Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Charges for services	\$ 187,500	\$ 185,000	\$ 206,285	\$ 21,285
Operating grants and contributions	200,000	200,000	199,113	(887)
Other	3,664	6,164	14,743	8,579
<b>Total Revenues</b>	<b>391,164</b>	<b>391,164</b>	<b>420,141</b>	<b>28,977</b>
<b>Expenses</b>				
Food and milk	446,721	446,721	429,751	16,970
<b>Deficiency Of Revenue Under Expenditures</b>	<b>(55,557)</b>	<b>(55,557)</b>	<b>(9,610)</b>	<b>45,947</b>
<b>Other Financing Sources</b>				
Transfers in	10,000	10,000	10,000	—
<b>Changes In Fund Balance</b>	<b>(45,557)</b>	<b>(45,557)</b>	<b>390</b>	<b>45,947</b>
<b>Fund Balance - Beginning Of Year</b>	<b>58,009</b>	<b>58,009</b>	<b>58,009</b>	<b>—</b>
<b>Fund Balance - End Of Year</b>	<b>\$ 12,452</b>	<b>\$ 12,452</b>	<b>\$ 58,399</b>	<b>\$ 45,947</b>

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

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**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -  
CAPITAL PROJECTS FUND**

**For The Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Amended Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues</b>				
Other	\$ 10,000	\$ 10,000	\$ 8,316	\$ (1,684)
<b>Expenditures</b>				
Equipment	437,886	307,886	124,364	183,522
<b>Changes In Fund Balance</b>	(427,886)	(297,886)	(116,048)	181,838
<b>Fund Balance - Beginning Of Year</b>	427,886	427,886	427,886	—
<b>Fund Balance - End Of Year</b>	\$ —	\$ 130,000	\$ 311,838	\$ 181,838

Notes to Supplementary Information:

The basis of budgeting is the same as GAAP.

This schedule is presented on a GAAP basis.

## **Agency Funds**

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**Agency Funds** are used to account for activities in which the District is acting in an agent capacity.

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**Student Activity Fund** - This fund is used to account for revenues and expenditures associated with class and co-curricular activities.

**BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR**

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**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES -  
STUDENT ACTIVITY FUND**

**For The Year Ended June 30, 2018**

	<b>Balance</b>		<b>Balance</b>
	<b>June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>
			<b>June 30, 2018</b>
<b>Assets</b>			
Cash	\$ 220,880	\$ 480,721	\$ 453,250
	<u>\$ 220,880</u>	<u>\$ 480,721</u>	<u>\$ 453,250</u>
<b>Liabilities</b>			
Due to student groups	\$ 220,880	\$ 480,721	\$ 453,250
	<u>\$ 220,880</u>	<u>\$ 480,721</u>	<u>\$ 453,250</u>

# BAYFIELD SCHOOL DISTRICT NUMBER 10-JTR

## COLORADO DEPARTMENT OF EDUCATION AUDITORS INTEGRITY REPORT



Colorado Department of Education

Auditors Integrity Report  
District: 1530 - BAYFIELD 10 JT-R  
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	4,824,804	13,264,300	13,643,026	4,446,078
18 Risk Mgmt Sub-Fund of General Fund	-10,281	235,985	220,677	5,027
19 Colorado Preschool Program Fund	-2,673	141,040	130,824	7,543
<b>Sub- Total</b>	<b>4,811,850</b>	<b>13,641,325</b>	<b>13,994,527</b>	<b>4,458,648</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	58,009	430,141	429,750	58,399
22 Govt Designated-Purpose Grants Fund	0	246,428	246,428	-1
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	2,603,886	3,565,068	3,317,681	2,851,272
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	26,603,112	6,761,990	26,410,899	6,954,204
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	427,886	8,316	124,365	311,838
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>34,504,743</b>	<b>24,653,268</b>	<b>44,523,650</b>	<b>14,634,360</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	220,880	480,721	453,250	248,350
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>220,880</b>	<b>480,721</b>	<b>453,250</b>	<b>248,350</b>

FINAL

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