

**IGNACIO SCHOOL DISTRICT 11-JT
IGNACIO, COLORADO**

FINANCIAL STATEMENTS

June 30, 2018



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

IGNACIO SCHOOL DISTRICT 11-JT

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Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Ignacio School District 11-JT
Ignacio, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ignacio School District 11-JT (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type 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, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefits information on pages 4 through 10 and 54 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial schedules and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 11, 2018

IGNACIO SCHOOL DISTRICT 11-JT

Management's Discussion and Analysis

For the Year Ending June 30, 2018

This section of Ignacio School District 11 JT annual financial report presents management's discussion and analysis of the District's financial performance during the year ending June 30, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

Financial Highlights

Enrollment Changes & Financial Impact to the District

The School Year 2017/2018 had an overall decrease of 24.5 students over the prior year. In using a 5 year averaging method, October Counts from 2014 - 2018, the CDE Funded Pupil Count for School Year 2017/2018 was 823.5, representing a 7.5 student decrease from the previous year. This equated to a loss of revenue for the District of \$65,093.25 (7.5 x \$8,679.10 PPR).

Assets vs Liabilities

The District's overall liabilities exceeded assets by \$1,212,698 showing a \$2,112,500 decrease in net position over last year for all governmental and business-type activities. The District is required to report its proportionate share of the Net Pension Liability for our Public Employees Retirement Association (PERA) liability to be in compliance with the GASB 68 and 71 laws enacted in 2015. Our Liability portion of the PERA Pension is recorded at \$38,754,831 for 2017/2018. Had we not recorded this liability, the District would show a positive unrestricted net position of \$14,373,777 instead of negative \$24,381,054. The contributions to PERA consists of 19.13% paid by the employer on all wages paid to employees. Employees pay 8%. This money is invested with PERA until an employee retires.

Long Term Debt

The General Obligation Bond has been reduced by \$1,834,043 leaving a balance of \$34,370,928 as of June 30, 2018.

Governmental Funds Revenues and Expenditures for the Year

For the year ending June 30, 2018, revenues of \$14,688,230 exceeded expenditures of \$14,261,272 by \$426,958. Therefore, fund balance increased at year-end June 30, 2018.

Impact Aid

In 2017/2018 we received \$1,261,167 which was more than budgeted by \$61,167. Allotments are received throughout the year for the current and previous years funding.

State Funding

State Equalization took another hard hit in 2017/2018 with the Negative Factor (NF) adjustment. The effect of this Negative Factor was a reduction in state funding to the Ignacio School District of \$887,074. Full funding would have been \$7,404,093 and we received \$6,517,019 for the year.

Overview of the Financial Statements

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

IGNACIO SCHOOL DISTRICT 11-JT
Management's Discussion and Analysis
For the Year Ending June 30, 2018

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

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

The statement of activities presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). The government wide financial statements can be found beginning on page 11 of this report.

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

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

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

The District adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for all funds to demonstrate compliance with this budget. Budgetary schedules can be found in the supplemental sections of this report.

***Proprietary funds.** The District maintains three proprietary fund types. These are the Enterprise (Rental/Deferred Maintenance) fund, and two Internal Service funds, Dental Insurance self-funded and Health Reimbursement fund which are found on pages 18-20 of this report.

***Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the governmental entity. Fiduciary funds are not reflected in the government-wide financial

IGNACIO SCHOOL DISTRICT 11-JT
Management's Discussion and Analysis
For the Year Ending June 30, 2018

statement because the District cannot use these funds to finance its operations. The basic fiduciary fund financial statements can be found on pages 21 and 22 of this report.

Notes to the financial statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide financial statements. The notes to the basic financial statements can be found on pages 23-53 of this report.

Government-wide Financial Analysis. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities exceeded assets by \$3.145 million at the close of the fiscal year 2018. Following is a summary of the net position:

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
ASSETS						
Current & Other Assets	\$ 10.31	\$ 9.91	\$ 0.184	\$ 0.265	\$ 10.491	\$ 10.177
Capital Assets	54.304	55.217	0.847	0.803	55.151	56.020
Total Assets	<u>64.600</u>	<u>65.129</u>	<u>1.031</u>	<u>1.068</u>	<u>65.642</u>	<u>66.197</u>
Deferred Outflows of Resources						
Pensions and OPEB	11.669	13.387	-	-	11.669	13.387
Bond Refunding	0.956	1.027	-	-	0.956	1.027
Total Deferred Outflows	<u>12.625</u>	<u>14.414</u>	<u>-</u>	<u>-</u>	<u>12.625</u>	<u>14.414</u>
LIABILITIES						
Current Liabilities	3.383	3.514	-	0.002	3.383	3.516
Long-Term Liabilities	75.226	72.555	-	-	75.226	72.555
Total Liabilities	<u>78.609</u>	<u>76.069</u>	<u>-</u>	<u>0.002</u>	<u>78.609</u>	<u>76.071</u>
Deferred Inflows of Resources						
Pensions and OPEB	1.772	0.569	-	-	1.772	0.569
NET POSITION						
Net Investment in						
Capital Assets	16.727	15.433	0.847	0.803	17.574	16.236
Restricted	4.693	4.631	-	-	4.694	4.631
Unrestricted	(24.565)	(17.160)	0.184	0.263	(24.381)	(16.897)
Total Net Position	<u>\$ (3.145)</u>	<u>\$ 2.904</u>	<u>\$ 1.031</u>	<u>\$ 1.066</u>	<u>\$ (2.113)</u>	<u>\$ 3.970</u>

IGNACIO SCHOOL DISTRICT 11-JT
Management's Discussion and Analysis
For the Year Ending June 30, 2018

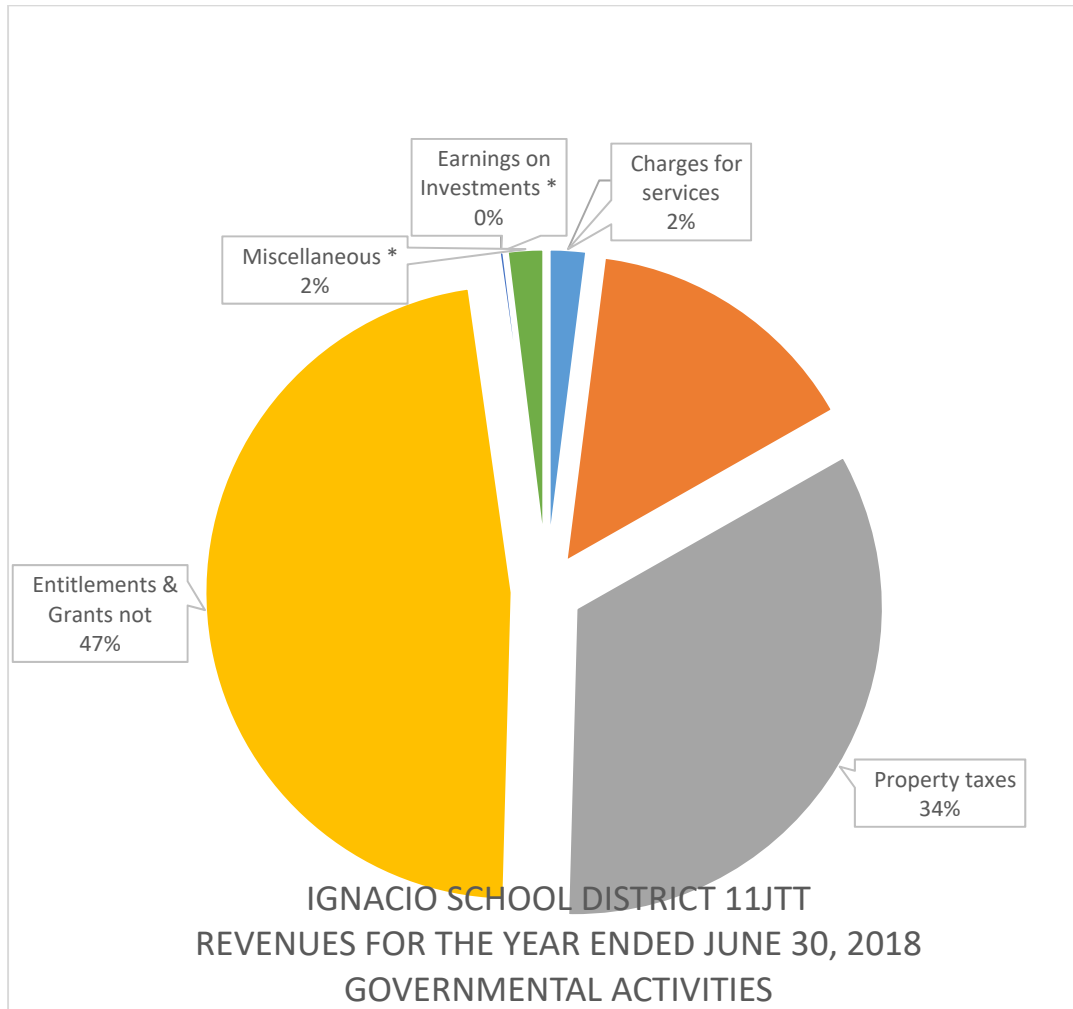
Government-wide Activities. Following is a chart showing the Statement of Activities for the year ending June 30, 2018 and 2017:

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 0.307	\$ 0.252	\$ 0.143	\$ 0.131	\$ 0.451	\$ 0.383
Grants & Contributions	2.559	2.238	0.077	-	2.636	2.238
General Revenues:						
Property and Specific Ownership taxes	5.135	5.247	-	-	5.135	5.247
Entitlements & Grants not restricted to specific purposes	6.514	6.068	-	-	6.514	6.068
Interest and Miscellaneous	0.162	0.167	-	-	0.162	0.167
Gain on Sale of Fixed Assets	-	0.011	-	-	-	0.011
Total Revenues	<u>14.677</u>	<u>13.983</u>	<u>0.220</u>	<u>0.131</u>	<u>14.898</u>	<u>14.114</u>
Expenses:						
Instructional & Support Services	18.058	16.167	-	-	18.058	16.167
Food Services	0.692	0.655	-	-	0.692	0.655
Class & Club Activities	0.202	0.147	-	-	0.202	0.147
Interest on Long-term Debt	1.092	1.368	-	-	1.092	1.368
Rentals	-	-	0.105	0.132	0.105	0.132
Total Expenses	<u>20.044</u>	<u>18.337</u>	<u>0.105</u>	<u>0.132</u>	<u>20.149</u>	<u>18.469</u>
Transfers	0.150	-	(0.150)		-	-
Change in Net Position	(5.217)	(4.354)	(0.035)	(0.001)	(5.252)	(4.355)
Net Position, Beginning of Year, as previously stated	2.905	-	1.066	-	3.971	-
Change in Accounting Principle	(0.831)	-	-	-	(0.831)	-
Net Position- beginning of year as Restated	<u>2.074</u>	<u>7.259</u>	<u>1.066</u>	<u>1.067</u>	<u>3.140</u>	<u>8.326</u>
Net Position-ending	<u>\$ (3.143)</u>	<u>\$ 2.905</u>	<u>\$ 1.031</u>	<u>\$ 1.066</u>	<u>\$ (2.112)</u>	<u>\$ 3.971</u>

Governmental Activities revenue is largely made up of entitlements and grants not restricted to specific purposes. These include Impact Aid, which is payment in lieu of taxes; state equalization payments, which is part of the school finance act; all local, state, and federal grants which we have written.

The other major source comes from property taxes, which also is part of the school finance act. Business-type activities revenues come from the rental of school houses. The following pie chart reflects the above revenues:

**IGNACIO SCHOOL DISTRICT 11-JT
Management’s Discussion and Analysis
For the Year Ending June 30, 2018**



Financial Analysis of the District’s Funds

As noted earlier, the District uses Fund Accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District’s governmental funds is to provide information on short-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District’s financing requirements. The general fund balance increased from \$3,662,025 to \$4,342,798. The board approved spending the beginning fund balance to construct the Transportation Facility and complete the High School baseball field.

Governmental funds report the difference between their assets and liabilities as fund balance, which is divided into Non-Spendable, Restricted, Committed, Assigned & Unassigned. The Tabor law requires that 3% of the budget be set aside for future years. Our Board of Education also requires that a percentage of the budget be set aside for future expenditures. We also have to account for accrued salaries and benefits and compensated absences.

**IGNACIO SCHOOL DISTRICT 11-JT
Management’s Discussion and Analysis
For the Year Ending June 30, 2018**

General Fund Budgetary Highlights

In the 2017-2018 school year, the Board revised the District’s budget as of January 18, 2018.

During the year, actual revenues received exceeded the budgeted amount by \$76,983. Highlighting this was Impact Aid of \$ 61,167 and Local Sources of \$164,494.

Actual expenses were \$9,638,387 which were less than budget by \$750,393. The General Fund transferred \$80,000 to Food Service and \$289,000 to Capital Reserve. Overall the General Fund ended the year with an increase of \$680,773 to its fund balance.

Capital Assets. The Capital Reserve Capital Projects Fund is used to account for the costs incurred in acquiring and improving sites, constructing and remodeling facilities, and procuring equipment necessary for providing educational programs for all students within the District. We continue to upgrade and provide computers for our students.

**CAPITAL ASSETS
(net of accumulated depreciation)
(in millions)**

Category	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	0.631	0.632			0.631	0.632
Buildings and Improvements	55.629	55.606	1.762	1.686	57.391	57.292
Furniture & Equipment	1.345	1.332	0.036	0.036	1.381	1.369
Transportation Equipment	1.595	1.595			1.595	1.595
(accumulated depreciation)	-4.897	-3.949	-0.951	-.919	-5.848	-4.868
	<u>54.303</u>	<u>55.217</u>	<u>0.847</u>	<u>0.803</u>	<u>55.150</u>	<u>56.020</u>

**IGNACIO SCHOOL DISTRICT 11-JT
Management's Discussion and Analysis
For the Year Ending June 30, 2018**

Debt Administration The District has outstanding debt comprised of compensated absences, which consist of accrued vacation and sick leave as listed below, the issuance of General Obligation Bonds, Bond Premium Costs, and a Capital Lease payable with a total outstanding balance of \$37,887,803 at June 30, 2018.

	Outstanding Debt		
	<u>2018</u>	<u>2017</u>	<u>Increase/ (Decrease)</u>
General Obligation Bond	\$ 34,370,928	\$ 36,204,971	\$ (1,834,043)
Capital Lease Payable	100,891	199,717	(98,826)
Bond Premium	3,104,976	3,379,319	(274,343)
Compensated Absences	311,008	260,307	50,701
Total Liability	<u>\$ 37,887,803</u>	<u>\$ 40,044,314</u>	<u>\$ (2,156,511)</u>

On October 2016 the district refinanced a portion of the Bonds. This allowed us to secure a better interest rate and reduce the total liability over the years. The district then again refinanced a portion of the bonds in June 2017.

Request for information

This financial report is designed to provide a general overview of the Ignacio School District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business Office, P.O. Box 460, Ignacio, CO 81137.

IGNACIO SCHOOL DISTRICT 11-JT

BASIC FINANCIAL STATEMENTS

IGNACIO SCHOOL DISTRICT 11-JT

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
ASSETS			
Current Assets			
Cash and Investments	\$ 10,184,470	\$ 184,639	\$ 10,369,109
Accounts Receivable	32,723	-	32,723
Taxes Receivable	37,813	-	37,813
Grants Receivable	42,473	-	42,473
Inventories	9,933	-	9,933
Total Current Assets	10,307,412	184,639	10,492,051
Noncurrent Assets			
Capital Assets			
Land	631,628	-	631,628
Buildings and Improvements	55,629,237	1,762,681	57,391,918
Furniture and Equipment	1,345,964	36,432	1,382,396
Transportation Equipment	1,595,443	-	1,595,443
Less: Accumulated Depreciation	(4,897,545)	(951,942)	(5,849,487)
Total Noncurrent Assets	54,304,727	847,171	55,151,898
TOTAL ASSETS	64,612,139	1,031,810	65,643,949
DEFERRED OUTFLOWS OF RESOURCES			
Pensions	11,615,023	-	11,615,023
OPEB	54,385	-	54,385
Bond Refunding	956,513	-	956,513
TOTAL DEFERRED OUTFLOWS OF RESOURCES	12,625,921	-	12,625,921
LIABILITIES			
Current Liabilities			
Accounts Payable	4,886	-	4,886
Accrued Salaries and Benefits	932,287	-	932,287
Unearned Grant Revenue	38,106	-	38,106
Accrued Interest Payable	106,563	-	106,563
General Obligation Bonds Payable	1,924,242	-	1,924,242
Bond Premium	274,343	-	274,343
Capital Lease Payable	100,891	-	100,891
Compensated Absences	1,700	-	1,700
Total Current Liabilities	3,383,018	-	3,383,018
Noncurrent Liabilities			
General Obligation Bonds Payable	32,446,686	-	32,446,686
Bond Premium	2,830,633	-	2,830,633
Compensated Absences	309,308	-	309,308
Pension Liability	38,754,831	-	38,754,831
OPEB Liability	884,996	-	884,996
Total Noncurrent Liabilities	75,226,454	-	75,226,454
TOTAL LIABILITIES	78,609,472	-	78,609,472
DEFERRED INFLOWS OF RESOURCES			
Pensions	1,758,092	-	1,758,092
OPEB	14,806	-	14,806
DEFERRED INFLOWS OF RESOURCES	1,772,898	-	1,772,898

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government		TOTAL
	Governmental Activities	Business-Type Activities	
NET POSITION			
Net Investment in Capital Assets	16,727,932	847,171	17,575,103
Restricted for:			
TABOR	270,000	-	270,000
Debt Service	4,423,451	-	4,423,451
Unrestricted	(24,565,693)	184,639	(24,381,054)
TOTAL NET POSITION	<u>\$ (3,144,310)</u>	<u>\$ 1,031,810</u>	<u>\$ (2,112,500)</u>

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	TOTAL
Primary Government:							
Governmental Activities:							
Instructional Program	\$ 11,004,041	\$ 8,779	\$ 1,732,252	\$ 300,039	\$ (8,962,971)	\$ -	\$ (8,962,971)
Student Supporting Services	7,054,086	-	220,922	-	(6,833,164)	-	(6,833,164)
Food Services	692,230	92,876	306,061	-	(293,293)	-	(293,293)
Class and Club Activities	202,153	205,473	-	-	3,320	-	3,320
Interest on Long-term Debt	1,092,511	-	-	-	(1,092,511)	-	(1,092,511)
Total Governmental Activities	20,045,021	307,128	2,259,235	300,039	(17,178,619)	-	(17,178,619)
Business-Type Activities:							
Rentals	105,147	143,590	-	76,912	-	115,355	115,355
Total Business-Type Activities	105,147	143,590	-	76,912	-	115,355	115,355
Total Primary Government	\$ 20,150,168	\$ 450,718	\$ 2,259,235	\$ 376,951	\$ (17,178,619)	\$ 115,355	\$(17,063,264)
General Revenues:							
Taxes:							
General Property Taxes - Net					4,642,858	-	4,642,858
Specific Ownership Tax					491,434	-	491,434
State Equalization					6,514,111	-	6,514,111
Interest and Miscellaneous					161,871	-	161,871
Total General Revenues					11,810,274	-	11,810,274
Transfers					150,000	(150,000)	-
CHANGE IN NET POSITION					(5,218,345)	(34,645)	(5,252,990)
Net Position, Beginning of Year, as Previously Stated					2,904,586	1,066,455	3,971,041
GASB 75 Restatement					(830,551)	-	(830,551)
Net Position, Beginning of Year Restated					2,074,035	1,066,455	3,140,490
Net Position, End of Year					\$ (3,144,310)	\$ 1,031,810	\$ (2,112,500)

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	GENERAL FUND	GOVERNMENTAL DESIGNATED PURPOSE FUNDS	BOND REDEMPTION FUNDS	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS					
Cash and Investments	\$ 5,174,005	\$ 40,340	\$ 4,403,999	\$ 404,781	\$ 10,023,125
Accounts Receivable	29,767	-	2,643	313	32,723
Taxes Receivable	-	-	37,813	-	37,813
Grants Receivable	-	42,473	-	-	42,473
Inventory	-	-	-	9,933	9,933
TOTAL ASSETS	\$ 5,203,772	\$ 82,813	\$ 4,444,455	\$ 415,027	\$ 10,146,067
LIABILITIES					
Accounts Payable	\$ -	\$ 4,668	\$ -	\$ 218	\$ 4,886
Accrued Salaries and Benefits	860,974	40,039	-	31,274	932,287
Unearned Grant Revenue	-	38,106	-	-	38,106
TOTAL LIABILITIES	860,974	82,813	-	31,492	975,279
DEFERRED INFLOWS OF RESOURCES					
Unavailable Tax Revenue	-	-	21,004	-	21,004
FUND BALANCE					
Nonspendable					
Inventory	-	-	-	9,933	9,933
Restricted for:					
TABOR 3% Reserve	270,000	-	-	-	270,000
Debt Service	-	-	4,423,451	-	4,423,451
Committed:					
Capital Projects	-	-	-	163,086	163,086
Pupil Activities	-	-	-	187,761	187,761
Food Services	-	-	-	22,755	22,755
Unassigned	4,072,798	-	-	-	4,072,798
TOTAL FUND BALANCE	4,342,798	-	4,423,451	383,535	9,149,784
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE					
	\$ 5,203,772	\$ 82,813	\$ 4,444,455	\$ 415,027	\$ 10,146,067

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2018

Total governmental fund balances		\$ 9,149,784
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		54,304,727
Allocation of District's property taxes collected after year-end are not available soon enough to pay for the current period's expenditures, therefore they are reported as unavailable revenue in the funds.		21,004
Internal Service funds are used by management to charge the cost of dental and health insurance to individual funds. The assets and liabilities of the internal services fund are included in governmental activities in the statement of net position.		161,345
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position.		11,669,408
Deferred results of bond refunding		956,513
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	\$ (34,370,928)	
Capital Lease Payable	(100,891)	
Accrued Interest Payable	(106,563)	
Compensated Absences	(311,008)	
		(34,889,390)
Bond discounts are expensed when incurred in the governmental funds and deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue when issued and are deferred and amortized in the statement of activities. The net unamortized portion of these long-term debt related items is included with governmental activities.		(3,104,976)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(39,639,827)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		(1,772,898)
		(3,144,310)
Net Position of Governmental Activities		\$ (3,144,310)

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2018

	GENERAL	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	BOND REDEMPTION FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES					
Local Sources	\$ 2,009,288	\$ -	\$ 3,300,987	\$ 298,349	\$ 5,608,624
Intermediate Sources	29,924	-	-	-	29,924
State Sources	7,037,781	162,815	-	5,874	7,206,470
Federal Sources	1,261,167	281,858	-	300,187	1,843,212
TOTAL REVENUES	10,338,160	444,673	3,300,987	604,410	14,688,230
EXPENDITURES					
Current Expenditures					
Instructional Program	5,456,691	230,090	-	306,390	5,993,171
Student Support Services	454,217	26,886	-	-	481,103
Instructional Staff Support Services	356,690	159,617	-	-	516,307
General Administration Support Services	397,085	-	-	-	397,085
School Administration Support Services	717,715	24,573	-	-	742,288
Business Support Services	263,750	1,507	-	-	265,257
Operations and Maintenance of Plant Services	942,260	-	-	-	942,260
Student Transportation Services	566,725	-	-	-	566,725
Central Support Services	344,065	-	-	-	344,065
Other Support Services	139,189	2,000	-	-	141,189
Food Services	-	-	-	501,474	501,474
Facilities Acquisition and Construction Services	-	-	-	127,958	127,958
Debt Service	-	-	3,139,390	103,000	3,242,390
TOTAL EXPENDITURES	9,638,387	444,673	3,139,390	1,038,822	14,261,272
Excess (deficiency) of revenues over expenditures	699,773	-	161,597	(434,412)	426,958
OTHER FINANCING SOURCES (USES)					
Sale of Fixed Assets	-	-	-	-	-
Transfer from Other Funds	350,000	-	-	369,000	719,000
Transfer to Other Funds	(369,000)	-	(100,000)	-	(469,000)
TOTAL OTHER FINANCING SOURCES (USES)	(19,000)	-	(100,000)	369,000	250,000
NET CHANGE IN FUND BALANCE	680,773	-	61,597	(65,412)	676,958
Fund Balance, Beginning of Year	3,662,025	-	4,361,854	448,947	8,472,826
Fund Balance, End of Year	\$ 4,342,798	\$ -	\$ 4,423,451	\$ 383,535	\$ 9,149,784

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds	\$	676,958
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity in capital assets in the current period.</p>		
Capital asset additions	\$ 36,425	
Depreciation expense	<u>(948,803)</u>	(912,378)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		(11,554)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. The bond premium provides a current financial resource to governmental funds, but must be capitalized and amortized over the life of the bonds in the government-wide financial statements.</p>		
Principal payment on general obligation bonds	\$ 1,834,043	
Lease payments	98,826	
Bond premium amortization	274,343	
Deferred charge on refunding amortization	<u>(70,767)</u>	2,136,445
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>		
Compensated absences	(50,701)	
Change in accrued interest payable	<u>13,434</u>	(37,267)
<p>An internal service fund is used by the District to account for its self-funded dental and health insurance. The net income of the internal service fund is reported in the governmental activities.</p>		
		(59,325)
<p>Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item represents the change in pension and OPEB expense.</p>		
		<u>(7,011,224)</u>
Change in net position of governmental activities	\$	<u><u>(5,218,345)</u></u>

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2018

	BUSINESS-TYPE ACTIVITY	GOVERNMENTAL ACTIVITIES
	ENTERPRISE FUND	INTERNAL
	DEFERRED MAINTENANCE FUND	SERVICE FUNDS
	FUND	FUNDS
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ 184,639	\$ 161,345
Total Current Assets	184,639	161,345
Noncurrent Assets		
Capital Assets:		
Buildings and Improvements	1,762,681	-
Furniture and Equipment	36,432	-
Less: Accumulated Depreciation	(951,942)	-
Total Noncurrent Assets	847,171	-
TOTAL ASSETS	1,031,810	161,345
TOTAL LIABILITIES	-	-
NET POSITION		
Net Investment in Capital Assets	847,171	-
Unrestricted	184,639	161,345
TOTAL NET POSITION	\$ 1,031,810	\$ 161,345

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2018

	BUSINESS-TYPE ACTIVITY ENTERPRISE FUND DEFERRED MAINTENANCE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
OPERATING REVENUES		
Local Sources		
Rental Income	\$ 143,590	\$ -
Insurance Premiums	-	109,275
TOTAL OPERATING REVENUES	143,590	109,275
OPERATING EXPENSES		
Purchased Services	35,123	68,600
Supplies and Materials	37,208	-
Depreciation	32,816	-
TOTAL OPERATING EXPENSES	105,147	68,600
Operating Income (Loss)	38,443	40,675
Capital Contributions	76,912	-
Transfer to Other Funds	(150,000)	(100,000)
CHANGE IN NET POSITION	(34,645)	(59,325)
NET POSITION, Beginning of Year	1,066,455	220,670
NET POSITION, End of Year	\$ 1,031,810	\$ 161,345

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2018

	BUSINESS-TYPE ACTIVITY DEFERRED MAINTENANCE FUND	GOVERNMENTAL ACTIVITIES INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities		
Cash Received from Rental Charges	\$ 143,931	\$ -
Cash Received from Insurance Premiums	-	109,275
Cash Payments for Purchased Services	(35,123)	-
Cash Payments for Supplies and Materials	(39,450)	-
Cash Payments for Claims and Fees	-	(77,887)
Net Cash Provided (Used) by Operating Activities	<u>69,358</u>	<u>31,388</u>
Cash Flows from Noncapital Financing Activities		
Transfers From (To) Other Funds	(150,000)	(100,000)
Net Cash Provided by Noncapital Financing Activities	<u>(150,000)</u>	<u>(100,000)</u>
Cash Flows from Capital and Related Financing Activities	-	-
Cash Flows from Investing Activities	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(80,642)	(68,612)
Cash and Cash Equivalents, Beginning of Year	<u>265,281</u>	<u>229,957</u>
Cash and Cash Equivalents, End of Year	<u>\$ 184,639</u>	<u>\$ 161,345</u>
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:		
Operating Income (Loss)	\$ 38,443	\$ 40,675
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:		
Depreciation	32,816	-
(Increase) decrease in Accounts Receivable	341	-
Increase (decrease) in Accounts Payable	(2,242)	-
Increase (decrease) in Accrued Claims	-	(9,287)
Net Cash provided (used) by operating activities	<u>\$ 69,358</u>	<u>\$ 31,388</u>
Noncash Capital and Related Financing Activities		
Capital Contributions	<u>\$ 76,912</u>	<u>\$ -</u>

The accompanying notes are an integral part of this financial statement.

**IGNACIO SCHOOL DISTRICT 11-JT
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2018**

	PRIVATE - PURPOSE TRUSTS
ASSETS	
Cash and Cash Equivalents	\$ 11,859
TOTAL ASSETS	<u>\$ 11,859</u>
NET POSITION	
Held in Trust for Scholarships	\$ 11,859
TOTAL NET POSITION	<u>\$ 11,859</u>

The accompanying notes are an integral part of this financial statement.

**IGNACIO SCHOOL DISTRICT 11-JT
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2018**

	PRIVATE - PURPOSE TRUSTS
ADDITIONS	
Earnings on Investments	\$ 14
TOTAL ADDITIONS	14
DEDUCTIONS	
Scholarships Awarded and Other Expenses	500
TOTAL DEDUCTIONS	500
CHANGE IN NET POSITION	(486)
NET POSITION, Beginning of Year	12,345
NET POSITION, End of Year	\$ 11,859

The accompanying notes are an integral part of this financial statement.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Ignacio School District 11-JT (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the District conforms to the Colorado Financial Policies and Procedures in all material aspects as required by Colorado statutes. The District's more significant accounting policies are described below.

Reporting Entity

The District is a political subdivision of the State of Colorado duly organized and existing in accordance with the provisions of the School District Reorganization Act of 1949. The District operates under a five member publicly elected board of education. The District is the basic level of government that has financial accountability and control over all activities related to the public school education in the Town of Ignacio and the immediate surrounding area. The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Pursuant to the definition of component units in GASB Statements 14, 39, and 61, the District's Board of Education has not included any component units.

Government-wide and Fund Financial Statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support to a significant extent.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or activity is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds and enterprise funds, each reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor funds.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

As a general rule the effect of inter-fund activity has been eliminated from the government-wide financial statements, except as they relate to charges between the District's governmental and business-type activities, where elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this focus, operating statements present increases and decreases in net current assets and unrestricted fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Governmental fund revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. Property taxes are reported as receivables and unavailable revenue when levied and as revenues when due for collection in the following year and determined to be available. All accrued liabilities and long-term debt are reported in the government-wide financial statements as well as the proprietary fund financial statements. For governmental fund financial statements, the accrued liabilities are generally reported as a governmental fund liability if due for payment as of the balance sheet date regardless of whether they will be liquidated with current financial resources. However, claims and judgments and compensated absences paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources. Long-term debt paid from governmental funds is not recognized as a liability in the fund financial statements until due.

The proprietary and private-purpose trust funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. They distinguish operating revenues and expenses from nonoperating items. The principal operating revenues of the District's internal service funds are charges for employee health and dental insurance premiums. Operating expenses include insurance claims and excess coverage premiums. The principal operating revenues of the enterprise funds are rental property revenue. Operating expenses include salaries and benefits, purchased services, and repairs and maintenance. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The District reports the following major governmental funds:

- The ***General Fund*** is the primary operating fund of the District. It accounts for all financial resources of the District, except those required legally or by sound financial management to be accounted for in another fund.
- The ***Governmental Designated Purpose Grants Fund*** is a special revenue fund used to account for restricted state and federal grants that are obtained primarily to provide for specific instructional programs.
- The ***Bond Redemption Fund*** is used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on the long-term general obligation debt or long-term voter-approved lease-purchase debt.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

- The *Non-major Governmental Funds* include the Food Service Fund, Pupil Activity Fund, and the Capital Reserve Capital Projects Fund.

Additionally, the District reports the following proprietary and fiduciary funds:

- The *Deferred Maintenance Fund* is an enterprise fund used to account for all financial transactions related to the District's building rental revenue and expenses.
- The *Internal Service Funds* are proprietary funds used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the District, generally on a cost reimbursement basis. The District accounts for its self-funded dental and health insurance in an internal service fund.
- The *Private-Purpose Trust Funds* are fiduciary funds used to account for assets held by the District in a trustee capacity. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash is pooled into common accounts in order to maximize investment opportunities. Each fund whose monies are deposited into the pooled cash accounts has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at month end. Negative balances incurred in pooled cash at year-end are treated as inter-fund receivables of the General Fund and inter-fund payables of the deficit fund.

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories

Inventories are recorded at the lower of cost or market except for commodities from the United States Department of Agriculture (USDA) which are stated at the specific items' donated value. Inventories are recorded as expenses when consumed.

Capital Assets

Capital Assets include land, land improvements, buildings and improvements, furniture and equipment, and transportation equipment are capitalized at historical cost or estimated historical cost if purchased or constructed. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate governmental fund. The District reports gains and losses on the disposal of capital assets (carrying value less sale proceeds, if any) in the government-wide statement of activities and enterprise fund operating statement. The District does not capitalize interest on the construction of capital assets used in governmental activities.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

The monetary threshold for capitalization of assets is \$5,000. The District’s capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the year the asset is placed in service. Estimated useful lives are:

Assets	Years
Land Improvements	5-20
Buildings & Improvements	7-75
Furniture & Equipment	5-20
Transportation Equipment	5-10

Accrued Salaries and Benefits

Salaries and benefits of teachers and certain other employees are budgeted and paid over a 12-month period from September 1 to August 31 but are earned over a school year of approximately nine months. The salaries earned but unpaid at June 30, 2018, are reflected in the fund and government-wide statements as an accrued liability.

Compensated Absences

Leave allowances are available for all staff. All nine-month employees receive eleven days per year. Employees with longer contracts receive one additional day per month worked. Through 2018, employees were reimbursed for up to 150 days unused leave upon termination, at the substitute rate. The District amended the leave policy during FY 2018 to limit the carry-forward balance to 60 days at the end of each fiscal year. Employees are reimbursed for excess days on an annual basis, at the substitute rate. Leave pay plus related payroll taxes are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned grant revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions and other postemployment benefits must be deferred.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

Long-term Obligations

Long term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective interest method.

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

Pensions

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

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

OPEB

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are classified based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five following categories:

- *Nonspendable Fund Balance*- amounts that cannot be spent because they are not in spendable form- such as inventory and prepaid expenditures.
- *Restricted Fund Balance*- amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*- amounts that can only be used for specific purposes as a result of constraints imposed through formal resolution of the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance*- amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*- amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Encumbrances

Encumbrance accounting is not used. All appropriations lapse at the end of the fiscal year.

Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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Property Taxes

Under Colorado law, all property taxes become due and payable in the calendar year following that in which they are levied. Property taxes are recorded initially at the budgeted collection rate as unavailable revenue in the year for which they are levied in the government-wide financial statement of activities and when available or collected in the governmental funds. A fee is retained by the Counties as compensation for collecting the taxes and is reflected as expenditures in the General Fund. An allowance for uncollectible taxes is not provided as the uncollectible amounts were determined to be negligible based upon historical trends.

The District's property tax calendar for 2018 is as follows:

Tax Year

Beginning of fiscal year for taxes	January 1
Assessed valuation initially certified by County Assessor	August 25
Property tax levy by Board of Education for ensuing calendar year	December 10
Tax levy certified to County Commissioners	December 15
County Commissioners certify levy to County Treasurer	January 10

Collection Year

Mailing of tax bills (lien date)	January 1
First installment due	February 29
Taxes due in full (unless installments elected by taxpayer)	April 30
Second installment due	June 15

Budgets and Budgetary Accounting

The Board of Education follows the procedures set forth in the Colorado School District Budget Law in establishing the budgetary data reflected in the financial statements:

- 1) On or before June 1, the Superintendent will submit to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- 2) Public hearings are conducted by the Board of Education to obtain the comments of the District's residents.
- 3) Prior to June 30, the budget will be adopted by the Board of Education by appropriate resolution.

The legal level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established at the individual fund level for all funds. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP) except for the Bond Redemption and Capital Reserve Capital Projects funds. The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Education adopted supplemental appropriations during fiscal year 2018. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

Stewardship

During fiscal year 2018, expenditures in the Student Activity Fund exceeded appropriations by \$17,712. This may be a violation of Colorado State Statute 29-1-110.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
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New Accounting Pronouncements

During 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* (GASB No. 75), which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA’s unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member’s years of service credit. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA’s unfunded liability negatively impacted the District’s beginning net position by \$830,551. The OPEB liability recorded as of June 30, 2018 was \$884,996. Information regarding PERA’s current funding status can be found in its Comprehensive Annual Financial Report.

NOTE 2 CASH, DEPOSITS, AND INVESTMENTS

At June 30, 2018, the District’s cash, deposits, and investments were reported in the financial statements as follows:

Governmental Activities	\$ 10,184,470
Business-Type Activities	184,639
Private Purpose Trust Scholarship	11,859
	<u>\$ 10,380,968</u>

At June 30, 2018, cash, deposits, and investments consisted of the following:

Cash on Hand	\$ 400
Deposits	6,786,265
Investments	3,594,303
	<u>\$ 10,380,968</u>

Deposits

Colorado State Statutes govern the District’s deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the 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 102% of the aggregate uninsured deposits.

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Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had bank deposits of \$5,970,142 that were exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

Investments

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 agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

COLOTRUST is a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. The pool operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by the U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. COLOTRUST is rated AAAM by Standard and Poors, and maintains a constant net asset value of \$1 per share. Financial statements for COLOTRUST are available at www.colotrust.com. The total COLOTRUST investment was valued at \$3,594,303 at June 30, 2018 with a credit rating of AAAM by Standard & Poors.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by National Recognized Statistical Rating Organizations (NRSROs).

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government's investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

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NOTE 3 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018, consisted of the following:

Governmental Activities:

General Fund

Special Education due from SJBOCES and other reimbursements	\$	29,767
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Bond Redemption Fund

July and August 2018 property tax collections		2,643
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Food Service Fund

Customer Accounts Receivable		313
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	\$	<u>32,723</u>
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NOTE 4 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2018, were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Dental Insurance Fund	\$ 100,000
General Fund	Bond Redemption Fund	100,000
General Fund	Deferred Maintenance Fund	150,000
Food Service Fund	General Fund	80,000
Capital Reserve Capital Projects Fund	General Fund	<u>289,000</u>
		<u>\$ 719,000</u>

The Dental Insurance Fund transferred funds to the General Fund due to the low number of claims during FY 2018.

The General Fund transferred funds for the debt service payment in the Capital Reserve Capital Projects Fund and to subsidize the Food Service Fund operations.

Unrestricted specific ownership tax revenues were transferred to the General Fund from the Bond Redemption Fund as budgeted, to ensure fund balance stability in the event of revenue shortfall and to increase reserves for future use.

The Deferred Maintenance Fund transferred funds to the General Fund for budget balancing purposes.

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 5 CAPITAL ASSETS

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

	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018
<i>Governmental Activities</i>				
Capital assets not being depreciated				
Land	\$ 631,628	\$ -	\$ -	\$ 631,628
Total capital assets not being depreciated	<u>631,628</u>	<u>-</u>	<u>-</u>	<u>631,628</u>
Capital assets being depreciated				
Buildings and Improvements	55,606,432	22,805	-	55,629,237
Furniture and Equipment	1,332,344	13,620	-	1,345,964
Transportation Equipment	1,595,443	-	-	1,595,443
Total capital assets being depreciated	<u>58,534,219</u>	<u>36,425</u>	<u>-</u>	<u>58,570,644</u>
Less accumulated depreciation for:				
Buildings and Improvements	2,305,954	743,939	-	3,049,893
Furniture and Equipment	554,258	123,208	-	677,466
Transportation Equipment	1,088,530	81,656	-	1,170,186
Total capital assets being depreciated	<u>3,948,742</u>	<u>948,803</u>	<u>-</u>	<u>4,897,545</u>
Total Capital Assets being depreciated, net	<u>54,585,477</u>	<u>(912,378)</u>	<u>-</u>	<u>53,673,099</u>
Governmental Activities, net	<u>\$ 55,217,105</u>	<u>\$ (912,378)</u>	<u>\$ -</u>	<u>\$ 54,304,727</u>
	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018
<i>Business-type Activities</i>				
Capital assets being depreciated				
Buildings and Improvements	\$ 1,685,769	\$ 76,912	\$ -	\$ 1,762,681
Equipment	36,432	-	-	36,432
Total capital assets being depreciated	<u>1,722,201</u>	<u>76,912</u>	<u>-</u>	<u>1,799,113</u>
Less accumulated depreciation for:				
Buildings and Improvements	882,902	32,606	-	915,508
Equipment	36,224	210	-	36,434
Total accumulated depreciation	<u>919,126</u>	<u>32,816</u>	<u>-</u>	<u>951,942</u>
Business-type Activities, net	<u>\$ 803,075</u>	<u>\$ 44,096</u>	<u>\$ -</u>	<u>\$ 847,171</u>

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

<i>Governmental activities:</i>	
Instructional Program	\$ 783,115
Operations & Maintenance of Plant Services	6,410
Student Transportation Services	105,472
Central Supporting Services	<u>53,806</u>
Total depreciation expense - governmental activities	<u><u>\$ 948,803</u></u>
 <i>Business-type activities:</i>	
Rentals	<u>\$ 32,816</u>
Total depreciation expense - business-type activities	<u><u>\$ 32,816</u></u>

NOTE 6 ACCRUED SALARIES AND BENEFITS

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September 1 to August 30, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid at June 30, 2018 were as follows:

<i>Governmental Activities</i>	
General Fund	\$ 860,974
GDPG Fund	40,039
Food Service Fund	<u>31,274</u>
Total - Governmental Activities	<u><u>\$ 932,287</u></u>

NOTE 7 OPERATING LEASES

The District has entered into several operating lease arrangements for equipment. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled \$51,604.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 8 LONG-TERM LIABILITIES

Changes in Long-Term Debt

Long-term liability balances for the year ended June 30, 2018, were as follows:

	Balance 06/30/2017	Additions	Deletions	Balance 06/30/2018	Due Within One Year
<i>Governmental Activities</i>					
G.O. Bonds Payable - Series 2011	\$ 7,454,971	\$ -	\$ 369,043	\$ 7,085,928	\$ 384,242
G.O. Bonds Payable - Series 2012	15,460,000	-	1,420,000	14,040,000	1,475,000
Series 2016 Refunding	8,865,000	-	20,000	8,845,000	40,000
Series 2017 Refunding	4,425,000	-	25,000	4,400,000	25,000
	<u>36,204,971</u>	<u>-</u>	<u>1,834,043</u>	<u>34,370,928</u>	<u>1,924,242</u>
Bond Premium	3,379,319	-	274,343	3,104,976	274,343
Blue Bird Bus Lease	199,717	-	98,826	100,891	100,891
Compensated Absences	260,307	50,701	-	311,008	1,700
	<u>260,307</u>	<u>50,701</u>	<u>-</u>	<u>311,008</u>	<u>1,700</u>
Total	<u>\$ 40,044,314</u>	<u>\$ 50,701</u>	<u>\$ 2,207,212</u>	<u>\$ 37,887,803</u>	<u>\$ 2,301,176</u>

General Obligation Bonds

Series 2011G Matching Money Bonds

On December 8, 2011, the District issued general obligation bonds series 2011G in the amount of \$9,099,431 with an interest rate of 4.12% to be paid in full on December 1, 2031. The bonds were issued for the District's match for the Building Excellent Schools Today Act (BEST) grant for the construction and renovation of the elementary school.

Series 2012 Bonds

On February 15, 2012, the District issued general obligation bonds series 2012 in the amount of \$34,900,000 with an average interest rate of 4.13% to be paid in full on December 1, 2031. The bonds were issued for the purpose of financing the construction of a new middle school building and the renovation of the existing middle and high school buildings.

Series 2016 Bonds

On October 27, 2016, the District issued general obligation refunding bonds series 2016 in the amount of \$8,865,000 with an interest rate between 2.00% and 4.00%, to be paid in full on December 1, 2031. The bonds were issued for the purpose of advance refunding a portion of the District's general obligation bonds, series 2012. The bonds are subject to redemption prior to maturity at the option of the District beginning December 1, 2027.

Series 2017 Bonds

On June 22, 2017, the District issued general obligation refunding bonds series 2017 in the amount of \$4,425,000 with an interest rate between 2.00% and 5.00%. The bonds were issued for the purpose of advance refunding a portion of the District's general obligation bonds, series 2012. The bonds are not subject to redemption prior to maturity at the option of the District.

IGNACIO SCHOOL DISTRICT 11-JT
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All bonds noted above are general obligations of the District and shall be payable from the general and ad valorem taxes required to be levied, without limitation as to rate, and in amounts sufficient to pay the principal and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose.

The annual debt service for the general obligation bonds are as follows:

	Principal	Interest	Totals
FY 2019	\$ 1,924,242	\$ 1,240,690	\$ 3,164,932
FY 2020	2,000,067	1,155,364	3,155,431
FY 2021	2,096,544	1,066,573	3,163,117
FY 2022	2,173,699	990,339	3,164,038
FY 2023	2,241,561	919,809	3,161,370
FY 2024-2028	12,552,569	3,263,581	15,816,150
FY 2029-2032	11,382,246	873,412	12,255,658
	\$ 34,370,928	\$ 9,509,768	\$ 43,880,696

Advance Refunding

Certain outstanding general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds into an irrevocable escrow account held and managed by bank trustees and invested in U.S. Treasury obligations, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and the defeased bonds are not included in the District's financial statements. At December 31, 2018, \$12,805,000 of bonds outstanding is considered defeased.

Capital Lease Agreements

The District obtained an annually renewable equipment lease-purchase agreement, dated August 15, 2016, for \$303,918 for three 72 passenger propane buses. The equipment is included in the capital assets at a cost of \$303,918, with accumulated depreciation of \$37,990. The agreement will be repaid from the Capital Reserve Capital Projects Fund in annual payments of principal and interest at 2.09%.

The annual debt service for the Capital Lease Payable is as follows:

	Principal	Interest	Totals
FY 2019	\$ 100,891	\$ 2,109	\$ 103,000

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NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 9 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; natural disasters; and injuries to employees. The District participates in the Colorado School District Self-Insurance pool for general liability and property insurance coverage. The District carries commercial insurance for workers' compensation coverage. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

Self Insurance Funds

Dental Insurance

District employees and their dependents participate in the District's dental self-insurance plan. The District contributes up to \$60 per month per employee to the Plan. Claims were paid by a Third Party Administrator (TPA) acting on behalf of the District. The administrative contract between the District and the TPA is renewable annually, and administrative fees are included in the contractual provisions. Maximum annual benefits are \$1,000 per year per covered individual (\$500 for first year employees).

Health Reimbursement Arrangement Plan

Effective January 1, 2014, District employees participate in the District's health reimbursement arrangement plan (HRA). The District contributes the full amount of the accounts to the Plan. Claims were paid by a Third Party Administrator (TPA) acting on behalf of the District. The administrative contract between the District and the TPA is renewable annually, and administrative fees are included in the contractual provisions. Maximum annual benefits are \$1,000 per year per participant enrolled in single coverage and \$2,000 per year per participant enrolled in family coverage.

The costs associated with the self-insurance plans are reported as interfund transactions to the extent of amounts actuarially determined. Accordingly, they are treated as operating revenues of the Internal Service Funds and operating expenditures of the other funds. The liabilities reported in the funds at June 30, 2018, are based on the requirements of Governmental Accounting Standards Board No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. These liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities depend on such complex factors as inflation, changes in legal doctrines and damage awards, the process used in computing claims liability does not necessarily result in an exact amount. Claims liabilities are reevaluated periodically to take into consideration recently settled claims, the frequency of claims and other economic and social factors.

Changes in liability amounts in fiscal year 2018 were as follows:

	<u>Dental Plan</u>	<u>HRA Plan</u>	<u>Total</u>
Claims Liability at June 30, 2017	\$ 5,915	\$ 3,372	\$ 9,287
Current year claims and changes in estimates	56,996	13,172	70,168
Claims paid	<u>(62,911)</u>	<u>(16,544)</u>	<u>(79,455)</u>
Balance at June 30, 2018	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 10 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

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

The employer contribution requirements are summarized in the following table:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,077,813 for the year ended June 30, 2018.

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

At June 30, 2018 the District reported a liability of \$38,754,831 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 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .120 percent, which was an increase of .0032 percent from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018 the District recognized pension expense of \$6,996,358. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 712,538	\$ -
Changes of assumptions or other inputs	9,895,548	62,795
Net difference between projected and actual earnings on pension plan investments	-	1,521,939
Changes in proportion and differences between contributions recognized and proportionate share of contributions	433,571	173,358
Contributions subsequent to the measurement date	573,366	-
Total	\$ 11,615,023	\$ 1,758,092

\$573,366 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30		
2019	\$	6,149,263
2020		3,601,294
2021		105,563
2022		(572,559)
2023		-
Thereafter		-

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 percent
Real wage growth		1.10 percent
Wage inflation		3.50 percent
Salary increases, including wage inflation		3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation		7.25 percent
Discount rate		5.26 percent
Post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07;		2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)		Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTE, 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.

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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:

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

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

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

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

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

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 48,953,943	\$ 38,754,831	\$ 30,443,720

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

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

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

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

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

At June 30, 2018, the District reported a liability of \$38,754,831 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$17,509,097

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 \$18,090,997 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

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NOTE 11 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

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

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

PERA Benefit Structure

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

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

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

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Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$58,190 for the year ended June 30, 2018 .

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

At June 30, 2018, the District reported a liability of \$884,996 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District’s proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was 0.068 percent, which was an increase of 0.0018 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$14,866. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 4,185	\$ -
Net difference between projected and actual earnings on OPEB plan investments	-	14,806
Changes of assumptions or other inputs	-	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	19,628	-
Contributions subsequent to the measurement date	30,572	-
Total	\$ 54,385	\$ 14,806

\$30,572 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		
2019	\$	977
2020		977
2021		977
2022		977
2023		4,679
Thereafter		421

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	<u>\$ 860,646</u>	<u>\$ 884,996</u>	<u>\$ 914,324</u>

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 995,014	\$884,996	\$ 791,093

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

NOTE 12 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$65,884 for the Voluntary Investment Program.

NOTE 13 JOINTLY GOVERNED ORGANIZATIONS

The District participates in joint ventures created for special purpose. These joint ventures and related parties do not meet the criteria for inclusion within the reporting entity because the following entities:

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

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

San Juan Board of Cooperative Educational Services (BOCES)

The District is one of nine member school districts of the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit that provides member districts educational services at a shared lower cost per district. The Board of the BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 12.5% at June 30, 2018. Complete separate financial statements may be obtained from San Juan Board of Cooperative Educational Services, 162 B Stewart Street, Durango, Colorado, 81303.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' Self-Insurance Pool (Pool). The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB. The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 14 TABOR EMERGENCY RESERVE

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which added Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations that apply to the State of Colorado and all local governments.

TABOR is complex and subject to judicial interpretation. Ultimate implementation may depend upon litigation and legislative guidance. The District obtained voters' approval to increase revenues and to receive and expend additional grants. However, the full impact of TABOR on the future financial activity of the District cannot be estimated at this time. Management believes the District is in full compliance with the provisions of the law.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This reserve is accounted for as restricted fund balance in the General Fund balance sheet and restricted net position in the government-wide statement of net position. The District is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 15 COMMITMENTS AND CONTINGENCIES

Grants

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Litigation

Various claims and lawsuits are pending against the District. After consideration of applicable insurance policy coverage and relative merits of each claim or lawsuit, it is the opinion of District counsel that the ultimate liability resulting from these actions, if any, will not require additional accrued reserves and will not have a material adverse financial effect on the District.

IGNACIO SCHOOL DISTRICT 11-JT

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liability is required to supplement the basic financial statements.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 1,865,496	\$ 1,769,794	\$ 2,009,288	\$ 239,494
Intermediate Sources	38,300	38,300	29,924	(8,376)
State Sources	7,041,822	7,103,083	7,037,781	(65,302)
Federal Sources	1,027,508	1,275,000	1,261,167	(13,833)
TOTAL REVENUES	9,973,126	10,186,177	10,338,160	151,983
EXPENDITURES				
Current Expenditures				
Instructional Program	5,670,625	5,807,791	5,456,691	351,100
Student Support Services	464,042	465,583	454,217	11,366
Instructional Staff Support Services	407,128	387,339	356,690	30,649
General Administration Support Services	398,390	421,932	397,085	24,847
School Administration Support Services	726,722	726,722	717,715	9,007
Business Support Services	250,405	300,108	263,750	36,358
Operations and Maintenance of Plant Services	912,219	922,403	942,260	(19,857)
Student Transportation Services	644,857	668,477	566,725	101,752
Central Support Services	421,755	423,475	344,065	79,410
Other Support Services	308,825	264,950	139,189	125,761
Reserves	3,081,558	3,440,422	-	3,440,422
TOTAL EXPENDITURES	13,286,526	13,829,202	9,638,387	4,190,815
Excess (Deficiency) of revenues over expenditures	(3,313,400)	(3,643,025)	699,773	4,342,798
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	350,000	350,000	350,000	-
Transfer to Other Funds	(369,000)	(369,000)	(369,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(19,000)	(19,000)	(19,000)	-
NET CHANGE IN FUND BALANCE	(3,332,400)	(3,662,025)	680,773	4,342,798
FUND BALANCE, Beginning of Year	3,332,400	3,662,025	3,662,025	-
FUND BALANCE, End of Year	\$ -	\$ -	\$ 4,342,798	\$ 4,342,798

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Years Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
State Sources	\$ 52,669	\$ 88,943	\$ 162,815	\$ 73,872
Federal Sources	240,450	240,826	281,858	41,032
TOTAL REVENUES	<u>293,119</u>	<u>329,769</u>	<u>444,673</u>	<u>114,904</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	228,206	251,327	230,090	21,237
Student Support Services	24,700	24,700	26,886	(2,186)
Instructional Staff Support Services	139,947	174,578	159,617	14,961
School Administration Support Services	27,701	29,560	24,573	4,987
Business Support Services	1,562	1,562	1,507	55
Other Support Services	2,000	2,000	2,000	-
TOTAL EXPENDITURES	<u>424,116</u>	<u>483,727</u>	<u>444,673</u>	<u>39,054</u>
NET CHANGE IN FUND BALANCE	(130,997)	(153,958)	-	153,958
FUND BALANCE, Beginning of Year	<u>130,997</u>	<u>153,958</u>	<u>-</u>	<u>(153,958)</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1198487658%	0.1166097609%	0.1188346670%	0.1206393170%	0.1241532561%
District's proportionate share of the net pension liability (asset)	\$ 38,754,831	\$ 34,719,235	\$ 18,174,923	\$ 16,350,680	\$ 15,835,714
District's covered payroll	\$ 5,533,388	\$ 5,228,578	\$ 5,178,789	\$ 5,053,923	\$ 5,045,363
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	700%	664%	351%	324%	314%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

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

** 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 presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 1,077,813	\$ 990,996	\$ 914,681	\$ 866,637	\$ 809,995	\$ 758,113	\$ 703,267
Contributions in relation to the contractually required contribution	<u>(1,077,813)</u>	<u>(990,996)</u>	<u>(914,681)</u>	<u>(866,637)</u>	<u>(809,995)</u>	<u>(758,113)</u>	<u>(703,267)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	5,704,919	5,388,130	5,154,945	5,127,371	5,064,045	5,003,031	4,955,500
Contributions as a percentage of covered payroll	18.89%	18.39%	17.74%	16.90%	16.00%	15.15%	14.19%

* 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 presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
COLORADO PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	2018	2017
District's proportion of the net OPEB liability	0.0680975689%	0.0662823592%
District's proportionate share of the net OPEB liability (asset)	\$ 884,996	\$ 859,373
District's covered payroll	\$ 5,533,388	\$ 5,228,578
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

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

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

Notes to the Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changed to assumptions or other inputs used.

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF CONTRIBUTIONS
COLORADO PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 58,190	\$ 54,959	\$ 52,580	\$ 52,299	\$ 51,653	\$ 51,031	\$ 50,546
Contributions in relation to the contractually required contribution	<u>58,190</u>	<u>54,959</u>	<u>52,580</u>	<u>52,299</u>	<u>51,653</u>	<u>51,031</u>	<u>50,546</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 5,704,919	\$ 5,388,130	\$ 5,154,945	\$ 5,127,371	\$ 5,064,045	\$ 5,003,031	\$ 4,955,500
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* 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 presents information for those years for which information is available.

Notes to the Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

IGNACIO SCHOOL DISTRICT 11-JT

SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the District. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**IGNACIO SCHOOL DISTRICT 11-JT
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Food Service Fund - This fund is used to account for the operations of the school breakfast and lunch programs.

Pupil Activity Fund – This fund is used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fundraising activities.

CAPITAL PROJECTS FUNDS

Capital Reserve Capital Projects Fund – This fund is used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S, including the acquisition of sites, buildings, equipment, and vehicles.

IGNACIO SCHOOL DISTRICT 11-JT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2018

	<u>SPECIAL REVENUE FUNDS</u>		<u>CAPITAL RESERVE</u>	<u>TOTAL NONMAJOR FUNDS</u>
	<u>FOOD SERVICE FUND</u>	<u>PUPIL ACTIVITY FUND</u>	<u>CAPITAL PROJECTS FUND</u>	
ASSETS				
Cash and Cash Equivalents	\$ 53,934	\$ 187,761	\$ 163,086	\$ 404,781
Accounts Receivable	313	-	-	313
Inventory	9,933	-	-	9,933
TOTAL ASSETS	<u>\$ 64,180</u>	<u>\$ 187,761</u>	<u>\$ 163,086</u>	<u>\$ 415,027</u>
LIABILITIES AND FUND BALANCE				
Accounts Payable	\$ 218	\$ -	\$ -	\$ 218
Accrued Salaries and Benefits	31,274	-	-	31,274
TOTAL LIABILITIES	<u>31,492</u>	<u>-</u>	<u>-</u>	<u>31,492</u>
FUND BALANCE				
Nonspendable				
Inventory	9,933	-	-	9,933
Committed				
Capital Projects	-	-	163,086	163,086
Pupil Activities	-	187,761	-	187,761
Food Services	22,755	-	-	22,755
TOTAL FUND BALANCE	<u>32,688</u>	<u>187,761</u>	<u>163,086</u>	<u>383,535</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 64,180</u>	<u>\$ 187,761</u>	<u>\$ 163,086</u>	<u>\$ 415,027</u>

**IGNACIO SCHOOL DISTRICT 11-JT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2018**

	SPECIAL REVENUE FUNDS		CAPITAL RESERVE	TOTAL NONMAJOR FUNDS
	FOOD SERVICE FUND	PUPIL ACTIVITY FUND	CAPITAL PROJECTS FUND	
REVENUES				
Local Sources	\$ 92,876	\$ 205,473	\$ -	\$ 298,349
State Sources	5,874	-	-	5,874
Federal Sources	300,187	-	-	300,187
TOTAL REVENUES	398,937	205,473	-	604,410
EXPENDITURES				
Current Expenditures				
Instructional Program	-	202,153	104,237	306,390
Food Services	501,474	-	-	501,474
Facilities Acquisition and Construction Services	-	-	127,958	127,958
Debt Servicing	-	-	103,000	103,000
TOTAL EXPENDITURES	501,474	202,153	335,195	1,038,822
Excess (Deficiency) of revenues over expenditures	(102,537)	3,320	(335,195)	(434,412)
OTHER FINANCING SOURCES (USES)				
Transfer from Other Funds	80,000	-	289,000	369,000
TOTAL OTHER FINANCING SOURCES (USES)	80,000	-	289,000	369,000
NET CHANGE IN FUND BALANCE	(22,537)	3,320	(46,195)	(65,412)
Fund Balance, Beginning of Year	55,225	184,441	209,281	448,947
Fund Balance, End of Year	\$ 32,688	\$ 187,761	\$ 163,086	\$ 383,535

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 100,675	\$ 100,675	\$ 92,876	\$ (7,799)
State Sources	7,850	7,850	5,874	(1,976)
Federal Sources	296,500	296,500	300,187	3,687
TOTAL REVENUES	405,025	405,025	398,937	(6,088)
EXPENDITURES				
Supporting Services				
Food Services				
Salaries	173,285	173,500	159,066	14,434
Benefits	113,977	113,977	88,143	25,834
Purchased Services	5,500	5,500	2,372	3,128
Purchased Property Services	5,000	10,000	8,681	1,319
Other Purchased Services	3,110	3,150	1,201	1,949
Supplies and Materials	233,073	234,123	242,011	(7,888)
TOTAL EXPENDITURES	533,945	540,250	501,474	38,776
Excess (Deficiency) of revenues over expenditures	(128,920)	(135,225)	(102,537)	32,688
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	80,000	80,000	80,000	-
OTHER FINANCING SOURCES (USES)	80,000	80,000	80,000	-
NET CHANGE IN FUND BALANCE	(48,920)	(55,225)	(22,537)	32,688
Fund Balance, Beginning of Year	48,920	55,225	55,225	-
Fund Balance, End of Year	\$ -	\$ -	\$ 32,688	\$ 32,688

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources				
Class and Club Activities	\$ 152,000	\$ 55,227	\$ 205,473	\$ 150,246
TOTAL REVENUES	<u>152,000</u>	<u>55,227</u>	<u>205,473</u>	<u>150,246</u>
EXPENDITURES				
Current Expenditures				
Instructional Program				
Class and Club Activities	357,400	184,441	202,153	(17,712)
TOTAL EXPENDITURES	<u>357,400</u>	<u>184,441</u>	<u>202,153</u>	<u>(17,712)</u>
NET CHANGE IN FUND BALANCE	(205,400)	(129,214)	3,320	132,534
FUND BALANCE, Beginning of Year	<u>205,400</u>	<u>129,214</u>	<u>184,441</u>	<u>55,227</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,761</u>	<u>\$ 187,761</u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	100,000	100,000	104,237	(4,237)
Student Transportation Services	105,000	105,000	-	105,000
Facilities Acquisition and Construction	41,040	41,040	127,958	(86,918)
Debt Service	-	-	103,000	(103,000)
Reserves	248,967	252,241	-	252,241
TOTAL EXPENDITURES	<u>495,007</u>	<u>498,281</u>	<u>335,195</u>	<u>163,086</u>
Excess (Deficiency) of revenues over expenditures	<u>(495,007)</u>	<u>(498,281)</u>	<u>(335,195)</u>	<u>163,086</u>
OTHER FINANCING SOURCES (USES)				
Transfer From Other Funds	289,000	289,000	289,000	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>289,000</u>	<u>289,000</u>	<u>289,000</u>	<u>475,413</u>
NET CHANGE IN FUND BALANCE	(206,007)	(209,281)	(46,195)	163,086
FUND BALANCE, Beginning of Year	<u>206,007</u>	<u>209,281</u>	<u>209,281</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,086</u>	<u>\$ 163,086</u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources				
Taxes	\$ 3,330,513	\$ 3,330,513	\$ 3,300,987	\$ (29,526)
TOTAL REVENUES	<u>3,330,513</u>	<u>3,330,513</u>	<u>3,300,987</u>	<u>(29,526)</u>
EXPENDITURES				
Debt Service				
Principal and Interest	7,026,628	7,026,628	3,139,390	3,887,238
Reserves	35,611	565,739	-	565,739
TOTAL EXPENDITURES	<u>7,062,239</u>	<u>7,592,367</u>	<u>3,139,390</u>	<u>4,452,977</u>
Excess (Deficiency) of revenues over expenditures	<u>(3,731,726)</u>	<u>(4,261,854)</u>	<u>161,597</u>	<u>4,423,451</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
CHANGE IN FUND BALANCE	<u>(3,831,726)</u>	<u>(4,361,854)</u>	<u>61,597</u>	<u>4,423,451</u>
FUND BALANCE, Beginning of Year	<u>3,831,726</u>	<u>4,361,854</u>	<u>4,361,854</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,423,451</u>	<u>\$ 4,423,451</u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
DEFERRED MAINTENANCE FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUES				
Local Sources				
Rental Income	\$ 132,800	\$ 140,000	\$ 143,590	\$ 3,590
TOTAL OPERATING REVENUES	<u>132,800</u>	<u>140,000</u>	<u>143,590</u>	<u>3,590</u>
OPERATING EXPENSES				
Purchased Services				
Contracted Services	95,000	95,000	8,974	86,026
Other	313,288	311,500	26,149	285,351
Operations and Maintenance	501,797	501,797	-	501,797
Supplies and Materials	98,000	98,000	37,208	60,792
Depreciation	50,158	50,158	32,816	17,342
TOTAL OPERATING EXPENSES	<u>1,058,243</u>	<u>1,056,455</u>	<u>105,147</u>	<u>951,308</u>
Operating Income (Loss)	(925,443)	(916,455)	38,443	954,898
NONOPERATING REVENUES (EXPENSES)				
Transfer to General Fund	(150,000)	(150,000)	(150,000)	-
Capital Contributions	-	-	76,912	76,912
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(150,000)</u>	<u>(150,000)</u>	<u>(73,088)</u>	<u>76,912</u>
Change in Net Position	(1,075,443)	(1,066,455)	(34,645)	1,031,810
NET POSITION, Beginning of Year	<u>1,075,443</u>	<u>1,066,455</u>	<u>1,066,455</u>	<u>-</u>
NET POSITION, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,031,810</u>	<u>\$ 1,031,810</u>

IGNACIO SCHOOL DISTRICT 11-JT
COMBINING BALANCE SHEET
INTERNAL SERVICE FUNDS
June 30, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>TOTALS</u>
	<u>INTERNAL SERVICE FUNDS</u>		
	<u>DENTAL INSURANCE FUND</u>	<u>HEALTH REIMBURSEMENT ARRANGEMENT FUND</u>	
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 154,038	\$ 7,307	\$ 161,345
TOTAL ASSETS	<u>154,038</u>	<u>7,307</u>	<u>161,345</u>
LIABILITIES			
Current Liabilities			
Accrued Claims	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Unrestricted	<u>154,038</u>	<u>7,307</u>	<u>161,345</u>
TOTAL NET POSITION	<u>\$ 154,038</u>	<u>\$ 7,307</u>	<u>\$ 161,345</u>

IGNACIO SCHOOL DISTRICT 11-JT
COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>TOTALS</u>
	<u>INTERNAL SERVICE FUNDS</u>		
	<u>DENTAL INSURANCE FUND</u>	<u>HEALTH REIMBURSEMENT ARRANGEMENT FUND</u>	
OPERATING REVENUES			
Local Sources			
Insurance Premiums	\$ 89,275	\$ 20,000	\$ 109,275
TOTAL OPERATING REVENUES	<u>89,275</u>	<u>20,000</u>	<u>109,275</u>
OPERATING EXPENSES			
Purchased Services			
Claims	56,996	13,172	70,168
Administration	(5,915)	4,347	(1,568)
TOTAL OPERATING EXPENSES	<u>51,081</u>	<u>17,519</u>	<u>68,600</u>
Operating Income (Loss)	38,194	2,481	40,675
OTHER FINANCING SOURCES (USES)			
Transfer to Other Funds	(100,000)	-	(100,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>-</u>	<u>(100,000)</u>
CHANGE IN NET POSITION	(61,806)	2,481	(59,325)
NET POSITION, Beginning of Year	<u>215,844</u>	<u>4,826</u>	<u>220,670</u>
NET POSITION, End of Year	<u>\$ 154,038</u>	<u>\$ 7,307</u>	<u>\$ 161,345</u>

IGNACIO SCHOOL DISTRICT 11-JT
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2018

	DENTAL INSURANCE FUND	HEALTH REIMBURSEMENT ARRANGEMENT FUND	TOTALS
Cash Flows from Operating Activities			
Cash Received from Insurance Premiums	\$ 89,275	\$ 20,000	\$ 109,275
Cash Payments for Claims and Fees	(56,996)	(20,891)	(77,887)
Net Cash Provided (Used) by Operating Activities	32,279	(891)	31,388
Cash Flows from Noncapital Financing Activities			
Transfers from (to) Other funds	(100,000)	-	(100,000)
Net Cash Provided (Used) by Noncapital Financing Activities	(100,000)	-	(100,000)
Cash Flows from Capital and Related Financing Activities	-	-	-
Cash Flows from Investing Activities	-	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(67,721)	(891)	(68,612)
Cash and Cash Equivalents, Beginning of Year	221,759	8,198	229,957
Cash and Cash Equivalents, End of Year	\$ 154,038	\$ 7,307	\$ 161,345
Reconciliation of income (loss) from operations to net cash provided (used) by operating activities:			
Operating Income (Loss)	\$ 38,194	\$ 2,481	\$ 40,675
Adjustments to reconcile income (loss) from operations to net cash provided (used) by operating activities:			
Increase (decrease) in Accrued Claims	(5,915)	(3,372)	(9,287)
Net Cash provided (used) by operating activities	\$ 32,279	\$ (891)	\$ 31,388

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
DENTAL INSURANCE FUND
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
OPERATING REVENUES				
Local Sources				
Insurance Premiums	\$ 91,000	\$ 91,000	\$ 89,275	\$ (1,725)
TOTAL OPERATING REVENUES	<u>91,000</u>	<u>91,000</u>	<u>89,275</u>	<u>(1,725)</u>
OPERATING EXPENSES				
Purchased Services				
Claims	170,107	185,737	56,996	128,741
Administration	21,107	21,107	(5,915)	27,022
TOTAL OPERATING EXPENSES	<u>191,214</u>	<u>206,844</u>	<u>51,081</u>	<u>155,763</u>
Operating Income (Loss)	<u>(100,214)</u>	<u>(115,844)</u>	<u>38,194</u>	<u>155,763</u>
OTHER FINANCING SOURCES (USES)				
Transfer to Other Funds	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(100,000)</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>-</u>
CHANGE IN NET POSITION	(200,214)	(215,844)	(61,806)	154,038
NET POSITION, Beginning of Year	<u>200,214</u>	<u>215,844</u>	<u>215,844</u>	<u>-</u>
NET POSITION, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 154,038</u>	<u>\$ 154,038</u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
HEALTH REIMBURSEMENT ARRANGEMENT FUND
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
OPERATING REVENUES				
Local Sources				
Insurance Premiums	\$ 10,000	\$ 20,000	\$ 20,000	\$ -
TOTAL OPERATING REVENUES	<u>10,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
OPERATING EXPENSES				
Purchased Services				
Claims	27,161	19,726	13,172	6,554
Administration	5,100	5,100	4,347	753
TOTAL OPERATING EXPENSES	<u>32,261</u>	<u>24,826</u>	<u>17,519</u>	<u>7,307</u>
CHANGE IN NET POSITION	(22,261)	(4,826)	2,481	7,307
NET POSITION, Beginning of Year	<u>22,261</u>	<u>4,826</u>	<u>4,826</u>	<u>-</u>
NET POSITION, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,307</u>	<u>\$ 7,307</u>

IGNACIO SCHOOL DISTRICT 11-JT
COMBINING SCHEDULE OF FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUSTS
June 30, 2018

	FLOYD SCHOLARSHIP TRUST	CANDELARIA/ FLOYD SCHOLARSHIP TRUST	TOTAL SCHOLARSHIP TRUSTS
ASSETS			
Cash and Cash Equivalents	\$ 6,301	\$ 5,558	\$ 11,859
TOTAL ASSETS	\$ 6,301	\$ 5,558	\$ 11,859
NET POSITION			
Held in Trust for Scholarships	\$ 6,301	\$ 5,558	\$ 11,859
TOTAL NET POSITION	\$ 6,301	\$ 5,558	\$ 11,859

IGNACIO SCHOOL DISTRICT 11-JT
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
PRIVATE-PURPOSE TRUSTS
For the Year Ended June 30, 2018

	FLOYD SCHOLARSHIP TRUST	CANDELARIA/ FLOYD SCHOLARSHIP TRUST	TOTAL SCHOLARSHIP TRUSTS
ADDITIONS			
Earnings on Investments	\$ 14	\$ -	\$ 14
TOTAL ADDITIONS	<u>14</u>	<u>-</u>	<u>14</u>
DEDUCTIONS			
Scholarships Awarded and Other Expenses	250	250	500
TOTAL DEDUCTIONS	<u>250</u>	<u>250</u>	<u>500</u>
CHANGE IN NET POSITION	(236)	(250)	(486)
NET POSITION at Beginning of Year	<u>6,537</u>	<u>5,808</u>	<u>12,345</u>
NET POSITION at End of Year	<u>\$ 6,301</u>	<u>\$ 5,558</u>	<u>\$ 11,859</u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
BUDGET AND ACTUAL
FLOYD SCHOLARSHIP TRUST
For the Year Ended June 30, 2018

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
ADDITIONS				
Earnings on Investments	\$ 1	\$ 12	\$ 14	\$ 2
Total Additions	<u>1</u>	<u>12</u>	<u>14</u>	<u>2</u>
DEDUCTIONS				
Scholarships Awarded and Other Expenses	<u>6,568</u>	<u>6,537</u>	<u>250</u>	<u>6,287</u>
Total Deductions	<u>6,568</u>	<u>6,537</u>	<u>250</u>	<u>6,287</u>
CHANGE IN NET POSITION	(6,567)	(6,525)	(236)	6,289
NET POSITION at Beginning of Year	<u>6,567</u>	<u>6,525</u>	<u>6,537</u>	<u>12</u>
NET POSITION at End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,301</u></u>	<u><u>\$ 6,301</u></u>

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION -
BUDGET AND ACTUAL
CANDELARIA/FLOYD SCHOLARSHIP TRUST
For the Year Ended June 30, 2018

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>(NEGATIVE)</u>
ADDITIONS				
Earnings on Investments	\$ 3	\$ 1	\$ -	\$ (1)
Total Additions	<u>3</u>	<u>1</u>	<u>-</u>	<u>(1)</u>
DEDUCTIONS				
Scholarships Awarded and Other Expenses	5,815	5,808	250	5,558
Total Deductions	<u>5,815</u>	<u>5,808</u>	<u>250</u>	<u>5,558</u>
CHANGE IN NET POSITION	(5,812)	(5,807)	(250)	5,557
NET POSITION, at Beginning of Year	<u>5,812</u>	<u>5,807</u>	<u>5,808</u>	<u>1</u>
NET POSITION, at End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,558</u>	<u>\$ 5,558</u>

IGNACIO SCHOOL DISTRICT 11-JT

SINGLE AUDIT SECTION

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<i>Child Nutrition Cluster</i>			
United States Department of Agriculture			
School Breakfast Program	10.553	Colorado Department of Education,4553	\$ 68,701
Total School Breakfast Program			<u>68,701</u>
National School Lunch Program	10.555	Colorado Department of Education,4555	203,265
National School Lunch Program	10.555	Colorado Department of Human Services,4555	28,221
Total National School Lunch Program			<u>231,486</u>
<i>Total United States Department of Agriculture</i>			<u>300,187</u>
<i>Total Child Nutrition Cluster</i>			<u>300,187</u>
<i>Other Programs</i>			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,4010 and 5010	169,682
Total Title I Grants to Local Educational Agencies			<u>169,682</u>
Impact Aid	84.041		1,261,167
Total Impact Aid			<u>1,261,167</u>
Indian Education Grants to Local Educational Agencies	84.060		62,544
Total Indian Education Grants to Local Educational Agencies			<u>62,544</u>
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education,4367 and 5367	39,668
Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)			<u>39,668</u>
Race to the Top - Early Learning	84.412	Colorado Department of Education,5412	527
Total Education Innovation and Research (formerly Investing in Innovation (i3) Fund)			<u>527</u>
Student Support and Academic Enrichment Program	84.424	Colorado Department of Education,4424	9,437
Total Student Support and Academic Enrichment Program			<u>9,437</u>
<i>Total Department of Education</i>			<u>1,543,025</u>
<i>Total Other Programs</i>			<u>1,543,025</u>
<i>Total Expenditures of Federal Awards</i>			<u>\$ 1,843,212</u>

IGNACIO SCHOOL DISTRICT 11-JT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2018

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Ignacio School District 11-JT under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Ignacio School District 11-JT, it is not intended to and does not present the financial position, changes in net position, or cash flows of Ignacio School District 11-JT.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Ignacio School District 11-JT did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2018.

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.



Wall,
Smith,
Bateman Inc.

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

To the Board of Education
Ignacio School District 11-JT
Ignacio, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Ignacio School District 11-JT (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 and have issued our report thereon dated December 11, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2018-001 to be a material weakness.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

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

District's Response to Finding

The District's response to the finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 11, 2018

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



Wall,
Smith,
Bateman Inc.

To the Board of Education
Ignacio School District 11-JT
Ignacio, Colorado

Report on Compliance for Each Major Federal Program

We have audited Ignacio School District 11-JT's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Ignacio School District 11-JT, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control over Compliance

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

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

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

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 11, 2018

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___yes ___no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ___X___none reported
- Noncompliance material to financial statements noted? _____yes ___X___no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____yes ___X___no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? _____yes ___X___none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? _____yes ___X___no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid

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

Auditee qualified as a low-risk auditee? ___X___yes ___no

IGNACIO SCHOOL DISTRICT 11-JT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

Finding 2018-001: Internal Control Over Financing Reporting

Type of finding: Internal Control (material weakness)

Condition: The District does not have a complete system of internal control to prevent and detect financial misstatements to ensure that finance activities are being completed properly, timely, and with appropriate segregation of duties to verify the financial information is accurate, complete, and free of material misstatements.

Cause: Turnover in the finance department, lack of training on accounting software, and opening of new bank accounts created reconciliation difficulties.

Criteria: A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, compliance with statutory provisions, antifraud programs, non-routine transactions, financial statements preparation, and safeguarding of assets.

Effect: As a result of this condition the following areas were affected:

1. Bank account reconciliations included unreconciled differences which affected General Fund, Governmental Designated Purpose Grants Fund, Food Service Fund, Capital Reserve Capital Projects Fund, Deferred Maintenance Fund, Internal Service Funds and Agency Funds cash, accounts payable, expenditures, revenue, and transfers, dating back to December 2017.
2. Audit adjustments were proposed to properly state the District financial statements as of June 30, 2018, in accordance with generally accepted accounting principles.

Recommendation: The District should strengthen its internal controls with adopted policies and procedures to address timely reconciliations that investigate and correct discrepancies and reconciliation of year-end balance sheet accounts to record necessary adjustments when performing financial close and reporting. Reconciliations should be signed and dated by employees preparing them and separate reviewer to ensure accuracy and timeliness.

Management's Response: See corrective action plan

Section III – Federal Award Findings and Questioned Costs

None

Section IV – Summary Schedule of Prior Audit Findings

None

IGNACIO SCHOOL DISTRICT, 11JT

**P.O. Box 460
Ignacio, CO 81137
(970) 563-0500
(970) 563-4524 Fax**

CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Agriculture and Education

Ignacio School District 11-JT respectfully submits the following corrective action plan for the year ended June 30, 2018.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended June 30, 2018

The findings from the June 30, 2018 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2018-001: Internal Control Over Financing Reporting

Type of finding: Internal Control (material weakness)

Recommendation: The District should strengthen its internal controls with adopted policies and procedures to address timely reconciliations that investigate and correct discrepancies and reconciliation of year-end balance sheet accounts to record necessary adjustments when performing financial close and reporting. Reconciliations should be signed and dated by employees preparing them and separate reviewer to ensure accuracy and timeliness.

Action Taken:

The Finance department employees will complete the reconciliations within the following month of the statement date. The reconciliations will be signed and dated by the employee. Then another member of the finance team will verify the information and the accuracy of the reports. That employee will also sign and date the reconciliation reports.

If the U.S. Department of Agriculture or U.S. Department of Education have questions regarding this plan, please call the responsible party listed below.

Sincerely yours,



Rocco Fuschetto, Ed. D., Superintendent
Ignacio School District 11-JT

IGNACIO SCHOOL DISTRICT 11-JT

CDE COMPLIANCE SECTION



Colorado Department of Education

Auditors Integrity Report

District: 1540 - IGNACIO 11 JT

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	3,662,026	10,319,160	9,638,387	4,342,799
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	3,662,026	10,319,160	9,638,387	4,342,799
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	55,225	478,936	501,474	32,687
22 Govt Designated-Purpose Grants Fund	0	444,674	444,673	1
23 Pupil Activity Special Revenue Fund	184,441	205,473	202,153	187,761
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	4,361,855	3,200,987	3,139,390	4,423,452
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	209,281	289,000	335,195	163,086
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	8,472,828	14,938,230	14,261,271	9,149,787
Proprietary				
50 Other Enterprise Funds	1,066,457	70,501	105,148	1,031,810
64 (63) Risk-Related Activity Fund	220,670	-100,000	-40,674	161,344
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	1,287,126	-29,499	64,473	1,193,154
Fiduciary				
70 Other Trust and Agency Funds	12,344	16	500	11,861
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	12,344	16	500	11,861

FINAL