



**Moffat County School District RE-1**

**Financial Report**

**June 30, 2018**

**Moffat County School District RE-1  
Financial Report  
June 30, 2018**

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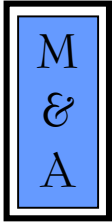
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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Education  
Moffat County School District RE-1  
Craig, Colorado**

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Moffat County School District RE-1, (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall financial statement presentation.

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

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S OPINION  
To the Board of Education  
Moffat County School District RE-1**

***Opinions***

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

***Emphasis of Matter***

As discussed in Note IV.I. to the financial statements, in the year ended June 30, 2018, the District adopted Governmental Accounting Standards Board Statement No.75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Pension Contributions, Schedule of the District's Other Post-Employment Benefit, Schedule of Employer's Proportionate Share of the Other Post-Employment Benefits Liabilities, and the Notes to the Required Supplemental Information in Section E, 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.

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as whole. The individual budgetary schedules and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements.

**INDEPENDENT AUDITOR'S OPINION  
To the Board of Education  
Moffat County School District RE-1**

***Other Matters (continued)***

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

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
November 16, 2018**



**Moffat County School District RE-1**  
**Management's Discussion and Analysis**

**Moffat County School District RE-1  
Management's Discussion and Analysis  
As of and for the Fiscal Year Ended June 30, 2018**

As management of the Moffat County School District RE-1 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018.

**Financial Highlights**

- The liabilities of the District exceeded its assets at year-end by \$39,087,896. Of this amount, \$51,713,246 is an unrestricted deficit. The remaining balance is either restricted for debt service or represents the net investment in capital assets.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$10,516,803, which was a decrease of \$1,370 from the prior year. The details of this change are reported at page C5.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$7,422,146 or 34% of total General Fund expenditures and transfers of \$21,520,360. The District's General Fund includes the Insurance Reserve Fund, as required by the Colorado Department of Education.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-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.

**District-wide Financial Statements:** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by a private-sector business.

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

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. 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 changes in long-term compensated absences).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

- **Governmental activities:** The District's basic services are included here, such as instructional services, support services, and student activities. Such services also include activities relating to building maintenance, technology, and administration.

The district-wide financial statements can be found on pages C1 and C2 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund, instead of the District as a whole. 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 district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Moffat County School District RE-1 maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Food Service Fund, Pupil Activities Fund, Bond Redemption Fund, and the Capital Reserve Capital Projects Fund, which are considered to be major funds.

The District adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided to demonstrate compliance with state budget statutes and are included in Sections E and F of this report.

The basic major governmental fund financial statements can be found on pages C3 through C6.

**Proprietary Funds:** The District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for its employee health and dental benefits and is considered a major fund. Because this service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the district-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages C7 through C9 of this report.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the district-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary fund used by the District accounts for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education. The basic fiduciary fund financial statement can be found on page C10 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found in Section D of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Immediately following the notes are the statements reporting the District's annual appropriated budgets. The budget reports can be found in sections E and F.

## District-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the Moffat County School District RE-1, liabilities exceed assets by \$39,087,896 at year end.

### Moffat County School District RE-1 Summary of Net Position:

	Governmental Activities	
	FY 2018	FY 2017
Assets:		
Current and other assets	16,049,387	14,522,188
Capital assets	31,168,156	32,789,259
Total Assets	<u>47,217,543</u>	<u>47,311,447</u>
Deferred Outflows of Resources	<u>24,580,353</u>	<u>31,198,693</u>
Liabilities:		
Other liabilities	2,975,394	2,764,010
Long-term liabilities	101,999,792	99,980,295
Total Liabilities	<u>104,975,186</u>	<u>102,744,305</u>
Deferred Inflows of Resources	<u>5,910,606</u>	<u>2,824,818</u>
Net Position:		
Net investment in capital assets	9,585,597	8,761,403
Restricted	3,039,753	2,932,452
Unrestricted	<u>(51,713,246)</u>	<u>(38,752,838)</u>
Total Net Position	<u>(39,087,896)</u>	<u>(27,058,983)</u>

Of the District's total net position, \$9,585,597 reflects its investment in capital assets (e.g. land, buildings and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students and the community; consequently, these assets are not available for future spending. Although the Moffat County School District RE-1's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's long-term liabilities increased due to an increase in the District's share of PERA's net pension liability of \$2,707,498 and an increase in the District's share of the HCTF of \$1,787,770. This resulted in ending net pension and HCTF liabilities for the District of \$78,335,658 and \$1,787,770, respectively, at year end. These changes are partially related to changes in assumptions on the liabilities utilized by PERA's actuaries.

Moffat County School District RE-1 Changes in Net Assets:

	Governmental Activities	
	FY 2018	FY 2017
Revenues:		
<i>Program revenues</i>		
Charges for services	273,035	295,016
Operating grants and contributions	3,228,836	2,395,554
<i>General revenues</i>		
Property taxes	12,788,031	12,529,515
Specific ownership taxes	1,178,335	1,096,287
State revenue	6,385,863	5,554,062
Investment earnings	83,158	33,566
Other	635,783	720,547
Total revenues	<u>24,573,041</u>	<u>22,624,547</u>
Expenses:		
Direct instruction	19,771,361	20,281,866
Indirect instruction	4,503,643	2,870,304
Transportation	1,272,515	1,119,916
Custodial maintenance	3,085,618	3,127,008
Support services	815,589	338,914
General administration	3,681,449	3,619,751
Community service	112,093	105,396
Student activities	182,095	165,193
Interest	517,493	1,550,494
Food services	845,782	940,067
Total Expenses	<u>34,787,638</u>	<u>34,118,909</u>
Change in net position	(10,214,597)	(11,494,362)
Change in net position after transfers	(10,214,597)	(11,494,362)
Net position - July 1 (restated)	<u>(28,873,299)</u>	<u>(15,564,621)</u>
Net position - June 30	<u>(39,087,896)</u>	<u>(27,058,983)</u>

**Governmental Activities:**

The District's net position was restated \$1,814,319 as of July 1, 2018 due to the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, which requires employers to recognize their long-term obligation for OPEB as a liability and OPEB related deferred outflows of resources and deferred inflows of resources on the Statement of Net Position. As such, the District's 2018 financial statements report a restatement of net position on the Statement of Activities for governmental activities for \$1,814,319 which was the net amount of the District's long-term obligation of \$1,871,954 and deferred outflows of resources of \$57,635 related to OPEB benefits at June 30, 2017, see also Note V.I.

As indicated above, governmental activities decreased the District's net position by \$10,214,597. Key elements of this decrease are as follows:

- Pension expense of \$12,215,411 offset by an increase of revenues of approximately \$1,952,690.

## Financial Analysis of the District's Funds

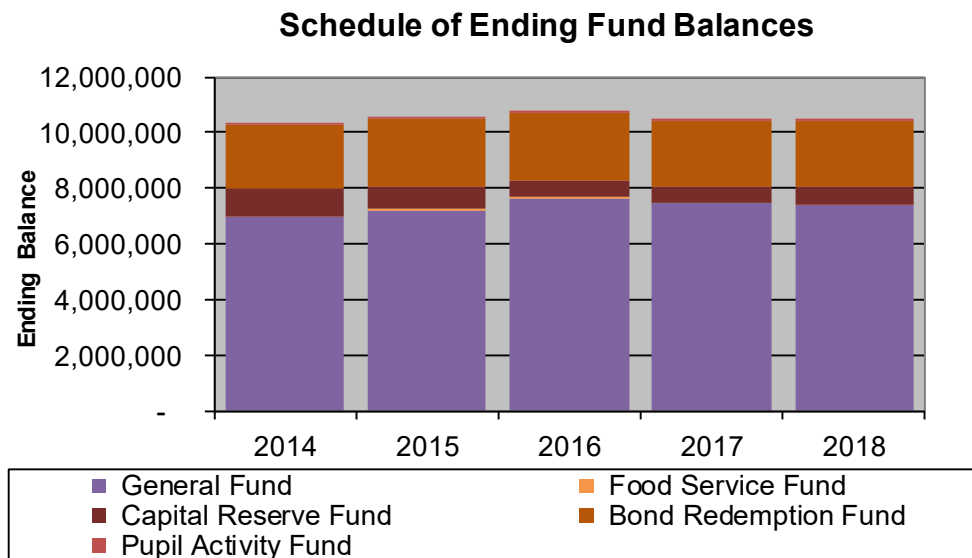
As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10,516,803 which was a decrease of \$1,370 from the prior year ending fund balances.
- Of the ending fund balance a portion is restricted to servicing required debt principal and interest payments, as well as the required 3% TABOR emergency reserve.

### Fund Balance Trending:

The following graph provides a view of the District's ending fund balances for the last five fiscal years:



**Budget Variances in the General Fund:** The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Generally, the most significant variances to discuss are those between the budgeted and actual revenues and expenditures in the General Fund

<b>REVENUES</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Positive (Negative)</b>	<b>Reason</b>
Taxes:				
Property taxes	10,461,506	10,513,770	52,264	Higher than anticipated assessed valuations
Specific ownership taxes	1,060,854	1,178,335	117,481	Higher than historical receipts
Interest income	20,000	49,561	29,561	Higher interest rates than anticipated
<b>EXPENDITURES</b>				
Direct instruction	12,443,651	12,001,361	442,290	Lower than anticipated salary and benefit costs
Indirect instruction	2,389,277	2,389,268	9	Lower than anticipated salary and benefit costs
Transportation	737,313	815,446	(78,133)	Higher than anticipated maintenance costs
Custodial and maintenance	2,911,013	2,660,608	250,405	Due to unspent capital allocations
Support services	646,244	512,642	133,602	Lower than anticipated salary and benefit costs
General administration	1,877,037	1,970,296	(93,259)	Higher than historical legal and purchased services costs

The District had an expenditure variance to the final budget in the amount of \$664,098.

### **Budget Amendments**

The District's General, Capital Reserve and Food Services funds were amended by \$426,991, \$250,000 and \$50,000, respectively, to account for additional costs associated with the early literacy grant and capital projects. These capital projects were not all completed in fiscal year 2018 and will carry over into fiscal year 2019.

**Capital Assets:** The District's governmental capital assets, net of accumulated depreciation, totaled \$31,168,156 as of June 30, 2018. The District capitalizes assets, including land, buildings and improvements, vehicles, equipment, and construction in progress, with an original cost greater than \$5,000 and useful life of more than two years.

Additional information, as well as, a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement at section D of this report.

**Long-Term Debt:** As of the end of the current fiscal year, the District's long-term general obligation debt totaled \$18,950,000. As noted previously the District also reports its proportionate share of unfunded pension liability and post-employment health benefits in the amounts of \$78,335,658 and \$1,787,770, respectively.

Additional information, as well as, a detailed classification of the District's total long-term liabilities, can be found in the Notes to the Financial Statements at section D of this report.

## **Economic Factors and Outlook**

The 2017-18 school year saw an increase in funding due to receipt of the Early Literacy Grant from CDE which allowed for implementation of a new elementary reading program. There was also an increase in funding from the finance formula of approximately \$400,000 and \$360,000 from Colorado Senate Bill 267, the Rural Sustainability Act. This increased funding allowed for increases in teacher and other staff salaries as well as additional money to be set aside for deferred capital maintenance needs.

Starting in school year 2019, the District reorganized to three elementary schools and one preschool center from the former model of 4 elementary schools including preschool. This led to a projected savings of \$600,000. These savings along with increased funding of \$750,000 through the state funding formula allowed for an increase in teacher and staff salaries, additional programming to be offered and increased availability of funds to meet deferred capital maintenance needs.

## **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Moffat County School District RE-1, Business Office, 775 Yampa Ave., Craig, Colorado 81625.



**Moffat County School District RE-1**

**Basic Financial Statements**

**Moffat County School District RE-1**  
**Statement of Net Position**  
**June 30, 2018**

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents - Unrestricted	14,606,994
Cash and cash equivalents - Restricted	57,801
Accounts, taxes, and interest receivable	1,168,855
Inventory	15,737
Total current assets	15,849,387
Capital assets:	
Construction in progress	80,170
Land	297,333
Land improvements	4,158,349
Buildings and improvements	54,660,161
Equipment	4,914,469
Vehicles	2,679,634
Less: Accumulated depreciation	(35,621,960)
Total capital assets	31,168,156
Total assets	47,017,543
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Items related to pensions	22,543,160
Items related to post-employment health benefits	67,127
Deferred bond refunding costs, net	1,970,066
Total deferred outflows of resources	24,580,353
<b>LIABILITIES</b>	
Current liabilities:	
Accounts, retainage, arbitrage & deposits payable	674,937
Accrued compensation	1,867,546
Accrued interest	107,911
Unearned grant revenue	125,000
Total current liabilities	2,775,394
Noncurrent liabilities:	
Compensated absences	293,805
Bonds and leases	
Due within one year	1,994,965
Due in more than one year	19,587,594
Other liabilities - due in more than one year	
Pensions	78,335,658
Post-employment health benefits (OPEB)	1,787,770
Total noncurrent liabilities	101,999,792
Total liabilities	104,775,186
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Items related to pensions	5,806,810
Items related to post-employment health benefits	103,796
Total deferred inflows of resources	5,910,606
<b>EQUITY</b>	
Net Investment in Capital Assets	9,585,597
Restricted for:	
TABOR	630,000
Debt service	2,409,753
Unrestricted	(51,713,246)
Total net position	(39,087,896)

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

**Moffat County School District RE-1**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Capital Grants and Contributions</u>
<b>Functions/Programs:</b>					<b>Governmental Activities</b>
Governmental Activities:					
Direct instruction	19,771,361	131,883	2,572,713	-	(17,066,765)
Indirect instruction	4,503,643	-	-	-	(4,503,643)
Transportation	1,272,515	-	149,641	-	(1,122,874)
Custodial and maintenance	3,085,618	-	-	-	(3,085,618)
Support services	815,589	-	-	-	(815,589)
General administration	3,681,449	-	-	-	(3,681,449)
Community service	112,093	-	-	-	(112,093)
Food service	845,782	141,152	431,469	-	(273,161)
Student activities	182,095	-	75,013	-	(107,082)
Interest	517,493	-	-	-	(517,493)
Total governmental activities	<u>34,787,638</u>	<u>273,035</u>	<u>3,228,836</u>	<u>-</u>	<u>(31,285,767)</u>
<b>General revenues:</b>					
Taxes					
Local property taxes levied for general purposes					10,493,153
Local property taxes levied for debt payments					2,294,878
Specific ownership taxes					1,178,335
State equalization revenue					6,385,863
Grants and contributions not restricted to specific programs					635,783
Interest and investment earnings					83,158
Total general revenues and transfers					<u>21,071,170</u>
Change in net position					(10,214,597)
<b>Net position, beginning (restated)</b>					<u>(28,873,299)</u>
<b>Net position, ending</b>					<u>(39,087,896)</u>

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

**Moffat County School District RE-1  
Balance Sheet  
Governmental Funds  
June 30, 2018**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>						
Assets:						
Cash and cash equivalents - Unrestricted	9,061,990	150,501	68,580	1,786,238	744,260	11,811,569
Accounts, taxes, and interest receivable	496,766	38,892	-	623,515	-	1,159,173
Inventory	-	15,737	-	-	-	15,737
Due from other funds	200,000	20,000	-	-	-	220,000
	<u>9,758,756</u>	<u>225,130</u>	<u>68,580</u>	<u>2,409,753</u>	<u>744,260</u>	<u>13,206,479</u>
Total assets and other debits						
<b>LIABILITIES</b>						
Liabilities:						
Accounts and other current payables	456,954	1,634	2,871	-	15,671	477,130
Accrued compensation	1,859,656	7,890	-	-	-	1,867,546
Due to other funds	20,000	200,000	-	-	-	220,000
Unearned revenue:						
Other	-	-	-	-	125,000	125,000
	<u>2,336,610</u>	<u>209,524</u>	<u>2,871</u>	<u>-</u>	<u>140,671</u>	<u>2,689,676</u>
Total liabilities						
<b>FUND BALANCES</b>						
Non-spendable	-	15,737	-	-	-	15,737
Spendable:						
Restricted	630,000	-	-	2,409,753	-	3,039,753
Committed	-	-	65,709	-	603,589	669,298
Unassigned	6,792,146	(131)	-	-	-	6,792,015
	<u>7,422,146</u>	<u>15,606</u>	<u>65,709</u>	<u>2,409,753</u>	<u>603,589</u>	<u>10,516,803</u>
Total fund balances						
Total liabilities deferred inflows	<u>9,758,756</u>	<u>225,130</u>	<u>68,580</u>	<u>2,409,753</u>	<u>744,260</u>	<u>13,206,479</u>

The notes to the financial statements are an integral part of this statement.

**Moffat County School District RE-1**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2018**

Governmental Funds Total Fund Balance		10,516,803
<i>Add:</i>		
Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.		9,682
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:		
	Capital assets	66,790,116
	Accumulated depreciation	<u>(35,621,960)</u>
		31,168,156
Deferred charges such as deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:		
	Deferred refunding costs	1,970,066
The District has a medical benefits fund. Accumulated resources in this fund are shown as an increase in governmental net position.		
		2,655,419
<i>Less:</i>		
Long-term liabilities, including net pension and post-employment health benefits obligations, are not due and payable in the current period and therefore are not reported in the funds. This is the amount of the District's net pension and post-employment health benefits liabilities, adjusted for changes in pension and post-employment health benefits related actuarial assumptions, proportion of collective pension and post-employment health benefits amounts, differences between actual and expected experience and investments earnings, and differences between actual and annualized contributions to the pension and post-employment health benefits plans, that are amortized over the average remaining service life of all active and inactive plan participants.		
	Deferred Outflows of pension related items	22,543,160
	Deferred Outflows of post-employment health benefits	67,127
	Deferred Inflows of pension related items	(5,806,810)
	Deferred Inflows of post-employment health benefits	(103,796)
	Pension liability	(78,335,658)
	Post-employment health benefits liability	<u>(1,787,770)</u>
		(63,423,747)
Long-term liabilities, including bonds payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
	Bond debt and interest coupons	(18,950,000)
	Accrued compensated absences	(293,805)
	Leases payable	(384,965)
	Premiums and discounts on bonded debt	(2,247,594)
	Accrued interest	<u>(107,911)</u>
		(21,984,275)
Governmental Activities Net Position		<u><u>(39,087,896)</u></u>

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

**Moffat County School District RE-1**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Student Activity Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property taxes	10,513,770	-	-	2,295,272	-	12,809,042
Specific ownership taxes	1,178,335	-	-	-	-	1,178,335
Intergovernmental - State revenue	8,330,032	6,053	-	-	-	8,336,085
Intergovernmental - Federal revenue	773,893	425,416	-	-	-	1,199,309
Interest income	49,561	10	2	8,468	3,753	61,794
Other	621,779	141,152	75,013	-	-	837,944
	<u>21,467,370</u>	<u>572,631</u>	<u>75,015</u>	<u>2,303,740</u>	<u>3,753</u>	<u>24,422,509</u>
<b>EXPENDITURES</b>						
Direct instruction	12,001,361	-	-	-	-	12,001,361
Indirect instruction	2,389,268	-	-	-	-	2,389,268
Transportation	815,446	-	-	-	-	815,446
Custodial and maintenance	2,660,608	-	-	-	-	2,660,608
Support services	512,642	-	-	-	-	512,642
General administration	1,970,296	-	-	-	-	1,970,296
Community service	64,431	-	-	-	-	64,431
Food service	-	613,724	-	-	-	613,724
Student activities	-	-	182,095	-	-	182,095
Debt service:						
Principal	-	-	-	1,550,000	477,416	2,027,416
Interest and fiscal charges	45,912	-	-	717,188	23,098	786,198
Other	-	-	-	1,250	-	1,250
Capital outlay	-	-	-	-	399,144	399,144
	<u>20,459,964</u>	<u>613,724</u>	<u>182,095</u>	<u>2,268,438</u>	<u>899,658</u>	<u>24,423,879</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	1,007,406	(41,093)	(107,080)	35,302	(895,905)	(1,370)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	(1,056,206)	56,500	99,706	-	900,000	-
Total other financing sources (uses)	<u>(1,056,206)</u>	<u>56,500</u>	<u>99,706</u>	<u>-</u>	<u>900,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(48,800)	15,407	(7,374)	35,302	4,095	(1,370)
<b>FUND BALANCES, BEGINNING</b>	7,470,946	199	73,083	2,374,451	599,494	10,518,173
<b>FUND BALANCES, ENDING</b>	<u>7,422,146</u>	<u>15,606</u>	<u>65,709</u>	<u>2,409,753</u>	<u>603,589</u>	<u>10,516,803</u>

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

**Moffat County School District RE-1**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2018**

Governmental Funds Change in Fund Balances	(1,370)
<i>Add:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	543,546
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	2,027,416
Net income (loss) on the District's medical benefit fund is adjusted to the government activities change in net position	1,326,573
<i>Less:</i>	
Property tax revenues assessed but not collected shortly after year end do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	(21,011)
Accrued compensated absences 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. This is the change in accrued compensated absences during the year.	30,474
Changes in the District's net pension obligation 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. This is the change in District's net pension obligation during the year, including differences between District contributions to the pension plan and amortization of pension-related deferrals.	(12,215,411)
the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in District's net post-employment health benefits obligation during the year, including differences between District contributions to the plan and amortization of post-employment health benefits related deferrals.	(10,120)
The disposal of assets can result in a gain or less equal to the difference between the sales proceeds and the book value of the asset. This is the gain or loss on the sale of District assets.	(3,257)
Amortization of deferred costs such as premium and discounts and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position.	269,955
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	<u>(2,161,392)</u>
Governmental Activities Change in Net Position	<u><u>(10,214,597)</u></u>

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

**Moffat County School District RE-1**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>ASSETS</b>	
Current assets:	
Cash and cash equivalents - unrestricted	2,795,425
Cash and cash equivalents - restricted	57,801
Total assets	2,853,226
<b>LIABILITIES</b>	
Current liabilities:	
Accounts and deposits payable	197,807
Total liabilities	197,807
<b>NET POSITION</b>	
Unrestricted	2,655,419
Total net position	2,655,419

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

**Moffat County School District RE-1**  
**Statement of Revenues, Expenses and**  
**Changes in Fund Net Position**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Sales and customer charges	2,472,531
Other income	150,179
Total operating revenues	2,622,710
<b>OPERATING EXPENSES</b>	
Purchased services	1,317,501
Total operating expenses	1,317,501
<b>OPERATING INCOME (LOSS)</b>	1,305,209
<b>NONOPERATING REVENUES (EXPENSES)</b>	
Investment income	21,364
Total nonoperating revenues (expenses)	21,364
<b>CHANGE IN NET POSITION</b>	1,326,573
<b>NET POSITION, BEGINNING</b>	1,328,846
<b>NET POSITION, ENDING</b>	2,655,419

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

**Moffat County School District RE-1**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended June 30, 2018**

	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from interfund service provided and employees	2,472,531
Other cash receipts	150,179
Payments to vendors	(1,476,469)
Net cash provided (used) by operating activities	1,146,241
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Cash received from investment income	21,364
Net cash provided (used) by investing activities	21,364
<b>NET INCREASE (DECREASE) IN CASH</b>	1,167,605
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	1,685,621
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	2,853,226
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</b>	
Operating income (loss)	1,305,209
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	(158,968)
Total adjustments	(158,968)
<b>Net cash provided (used) by operating activities</b>	1,146,241

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

**Moffat County School District RE-1**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2018**

	<b>Student Activity Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	299,999
Total assets	299,999
<b>LIABILITIES</b>	
Due to:	
Vendors	2,345
Student activities and other organizations	297,654
Total liabilities	299,999

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



**Moffat County School District RE-1**  
**Notes to the Basic Financial Statements**

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**

**I. Summary of Significant Accounting Policies**

Moffat County School District RE-1 (the “District”) encompasses Moffat County in northwestern Colorado. The District provides academic and vocation curriculum, student transportation, food service, athletic and cultural extracurricular activities, and maintenance and general administrative services. The District operates the following schools:

Elementary Schools	Middle School	High School
East Elementary	Craig Middle	Moffat County
Maybell Elementary	School	High School
Ridgeview Elementary		
Sandrock Elementary		
Sunset Elementary		

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The District was formed under the laws of the State of Colorado and operates under an elected Board of Education. As required by GAAP, the financial statements of the reporting entity include those of the District. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based upon the above criteria, the District is not financially accountable for any other organization.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

**B. District-wide and Fund Financial Statements**

The District’s basic financial statements include both district-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District’s major funds). For the most part, the effect of interfund activity has been removed from these statements. Both the district-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. District-wide and Fund Financial Statements (continued)**

**1. District-wide Financial Statements**

In the district-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The district-wide Statement of Activities reports both the gross and net cost of the District's functions and business-type activities (i.e., food service). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

The district-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance. Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. One or more specific restricted or committed revenue should be the foundation for the fund.

The District reports the following major governmental funds:

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

The *Food Service Fund* accounts for all financial activities associated with the District's school breakfast and lunch programs.

The *Student Activity Fund* accounts for the revenues and expenditures of funds used in student sports, clubs, and extracurricular activities. The primary source of funding is fees related to participation in the particular activity.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

The *Bond Redemption Fund* accounts for and reports financial resources that are restricted to expenditure for principal and interest that have been legally mandated, as well as the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

The *Capital Reserve Capital Projects Fund* is used to account for the acquisition of land, construction of new facilities, alterations and improvements to existing structures, and the acquisition of school buses and/or other equipment.

Additionally, the District reports the following fund types:

The *Health Benefits Internal Service Fund* accounts for the employee health and dental benefits provided to other departments or funds of the District on a cost reimbursement basis

The *Student Activity Agency Fund* accounts for assets held by the District as an agent for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

The governmental activities in the government-wide financial statements, the proprietary fund financial statements and the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

**3. Financial Statement Presentation**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

The District investments are stated at fair value or net asset value. The District has no investments requiring fair value reporting.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**1. Cash, Cash Equivalents, and Investments (continued)**

The District follows Colorado state statutes for investing, which permit the following types of obligations:

- U.S. Treasury Obligations (maximum maturity of 60 months)
- Federal Instrumentality Securities (maximum maturity of 60 months)
- FDIC-insured Certificates of Deposit (maximum maturity of 60 months)
- Corporate Bonds (maximum maturity of 60 months)
- Prime Commercial Paper (maximum maturity of 60 months)
- Eligible Bankers Acceptances
- Repurchase Agreements
- General Obligations and Revenue Obligations
- Local Government Investment Pools
- Money Market Mutual Funds.

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable on the fund financial statements.

**4. Inventories and Prepaid Items**

All inventories are valued at cost using the first-in / first-out (FIFO) method. Inventories recorded in the *Food Service Fund* consist of purchased and donated commodities. Donated commodities inventories are offset by unearned revenue. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt. The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements.

**5. Interfund Receivables and Payables**

Balances at year-end between funds are reported as “due to / from other funds” in the fund financial statements. Any residual balances not eliminated between the governmental and fiduciary activities are reported as “internal balances” in the district-wide financial statements.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**6. Long-Term Obligations**

In the district-wide financial statements, and proprietary fund types in the fund financial statement, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, or proprietary fund type statements of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the *Bond Redemption Debt Service Fund*. The long-term accumulated unpaid vacation and accrued sick leave are serviced from property taxes and other revenues by the respective fund types from future appropriations.

**7. Capital Assets**

Capital assets, which include construction-in-progress, land, buildings and improvements, vehicles, and equipment, are reported in the governmental activity column in the district-wide financial statements and in the proprietary fund financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

Capital outlay for projects is capitalized as projects are constructed. The District does not capitalize interest on the construction of capital assets.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 35
Vehicles	6 - 7
Equipment	5

**8. Compensated Absences**

Earned but unused vacation and personal leave benefits are accrued when incurred in the district-wide and proprietary fund financial statements.

**9. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**10. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has three items that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Other items are the collective deferred outflows of resources related to the District's net pension liability and other post-employment benefit obligations ("OPEB"). Pension and OPEB contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension liability or OPEB liability in future periods, see Notes IV.G and IV.H.

Deferred inflows of resources represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Collective deferred inflows of resources related to the District's net pension liability and OPEB liability are reported on the Statement of Net Position and are amortized over the average service lives of all active and inactive plan members, see Notes IV.G and IV.H.

**11. Pensions**

The District participates in the School Division Trust Fund (the "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, deferred 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.

**12. Defined Benefit Other Post Employment Benefit (OPEB) Plan**

The District participates in the Health Care Trust Fund (the "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.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**13. Fund Equity**

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of restraint, such as external versus internal compliance requirements.

Unassigned fund balance is a residual classification within the *General Fund*. The *General Fund* should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications, refer to Note IV.I.

**14. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**15. Restricted and Unrestricted Resources**

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

**II. Reconciliation of District-wide and Fund Financial Statements**

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds* and *net position of governmental activities* as reported in the District-wide Statement of Net Position. Additionally, the governmental fund statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net change in fund balances – total governmental funds* and *change in net position of governmental activities* as reported in the District-wide Statement of Activities.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2018.

1. The proposed budget was submitted to the Board of Education by May 31 of the year proceeding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriations were necessary. The budgetary comparison schedules reflect the original budget and the final budget after the legally authorized revisions.

For the year June 30, 2018, the expenditures exceeded appropriations as follows:

<u>Fund</u>	<u>Amount</u>	<u>Cause</u>
Pupil Activity Fund	\$ 12,025	Activity costs

This may be a violation of Colorado State Statues.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR required, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$630,000 of its June 30, 2018 year-end General Fund balance for emergencies as required under TABOR.

On November 4, 1997, the District's electorate approved the following ballot measure:

*"Shall Moffat County School District taxes be increased to \$1,900,000 annually by authorizing an additional levy of ad valorem property taxes for the 1997-98 budget year and maintain that level each budget year thereafter for the purpose of providing additional local property tax revenues for educational purposes; and shall the District be authorized to retain and expend all revenues from said increase in excess of the spending limits established by Article X Section 20 of the Constitution of the State of Colorado?"*

Additionally, on November 2, 1999, the District's electorate approved the following ballot measure:

*"Shall the Moffat County School District RE. NO 1 be authorized and permitted to retain, appropriate, and utilize, by retention for reserves, carryover fund balance, or expenditures, the full proceeds and revenues received from all sources whatever, without limitation, in the 1998-99 and all subsequent years, notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution, provided however, that no local tax rate or property mill levy shall be increased at any time, nor shall any new tax be imposed without the prior consent of the voters of the Moffat County School District RE. NO. 1 approving any such increase or new tax?"*

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

**1. Deposits**

The District's deposits are entirely covered by Federal Depository Insurance Corporation ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**1. Deposits (continued)**

At year end, the District had the following cash and investments with the following maturities:

<u>Type:</u>	<u>Standard and Poor's Credit Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 294	294	-
Checking accounts	Not Rated	6,390,601	6,390,601	-
<i>Investments:</i>				
Investment pool	AAAm	8,273,900	8,273,900	-
		<u>\$ 14,664,795</u>	<u>14,664,795</u>	<u>-</u>

The District's cash and investments are presented on the Statement of Net Position as follows:

**Reconciliation to Statement of Net Position:**

Cash and investments - Unrestricted	\$ 14,606,994
Cash and investments - Restricted	57,801
<b>Total</b>	<b><u>\$ 14,664,795</u></b>

**2. Investments**

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
COLOTRUST	\$ 6,487,662
Morgan Stanley Institutional Liquidity Funds-Govt	1,786,238
<b>Total</b>	<b><u>\$ 8,273,900</u></b>

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

*Credit Risk.* State law and District policy limit investments to those authorized by State statutes, which, among other investments, include U.S. agencies, commercial paper, local government investment pools, and certain money market funds. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

**2. Investments (continued)**

*Custodial Credit Risk.* For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The District does not have an investment policy that limits the amount of securities that can be held by counterparties.

*Concentration of Credit Risk.* The District places no limit on the amount that it may invest in any one issuer. More than 5% of the District's investments are in the COLTRUST Investment Pool. These investments represented 44% of the District's total investments. The balance held in Morgan Stanley Institutional Liquidity Fund-Government is directed by the bond trustee, see Note VI. F.5. for information regarding the bond trustee.

*Pools.* The District's holdings in investment pools are comprised of balances with COLTRUST Morgan Stanley Institutional Liquidity Fund-Government, which are investment vehicles established to pool surplus funds. They operated similarly to money market funds, whereby each share is equal in value to \$1. Investments of the trusts consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury securities. The District has no regulatory oversight for the pools.

**B. Receivables**

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Food Service Fund</b>	<b>Bond Redemption Fund</b>	<b>Total</b>
Receivables:				
Taxes	\$ 399,699	-	623,515	1,023,214
Other	97,067	38,892	-	135,959
Gross receivables	496,766	38,892	623,515	1,159,173
Less: allowance for uncollectible	-	-	-	-
<b>Net Receivables</b>	<b>\$ 496,766</b>	<b>38,892</b>	<b>623,515</b>	<b>1,159,173</b>

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 5,764	80,170	-	(5,764)	80,170
Land	297,333	-	-	-	297,333
Total capital assets, not being depreciated	<u>303,097</u>	<u>80,170</u>	<u>-</u>	<u>(5,764)</u>	<u>377,503</u>
Capital assets, being depreciated:					
Land improvements	4,158,349	-	-	-	4,158,349
Buildings and improvements	54,657,608	128,431	(131,642)	5,764	54,660,161
Vehicles	2,582,634	97,000	-	-	2,679,634
Equipment	5,040,587	237,945	(364,063)	-	4,914,469
Total capital assets being depreciated	<u>66,439,178</u>	<u>463,376</u>	<u>(495,705)</u>	<u>5,764</u>	<u>66,412,613</u>
Total capital assets - Cost	<u>66,742,275</u>	<u>543,546</u>	<u>(495,705)</u>	<u>-</u>	<u>66,790,116</u>
Less: accumulated depreciation for:					
Land improvements	(3,506,289)	(196,382)	-	-	(3,702,671)
Buildings and improvements	(24,758,387)	(1,331,092)	128,385	-	(25,961,094)
Vehicles	(2,350,960)	(39,901)	-	-	(2,390,861)
Equipment	(3,337,380)	(594,017)	364,063	-	(3,567,334)
Total accumulated depreciation	<u>(33,953,016)</u>	<u>(2,161,392)</u>	<u>492,448</u>	<u>-</u>	<u>(35,621,960)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 32,789,259</u>	<u>(1,617,846)</u>	<u>(3,257)</u>	<u>-</u>	<u>31,168,156</u>

The District had the following capital outlay and depreciation expense for the following functions and business-type activities:

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
<b>Governmental activities:</b>		
Direct instruction	\$ 222,562	-
Indirect instruction	-	1,424,552
Transportation	97,000	62,086
Custodial and maintenance	-	10,534
General administration	223,984	664,220
<b>Total governmental activities</b>	<u>\$ 543,546</u>	<u>2,161,392</u>

**D. Interfund Receivables, Payables, and Transfers**

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers (continued)**

The District has reports the following interfund balances as of June 30, 2018:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ 200,000	20,000
Food Services Fund	20,000	200,000
<b>Total</b>	<b>\$ 220,000</b>	<b>220,000</b>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) provide additional resources for current operations or debt service.

All District transfers either occur on a regular basis or are consistent with the purpose of the fund making the transfer.

Transfers for fiscal year 2018 were as follows:

	<b>Transfer In</b>	<b>Transfer (out)</b>
General Fund	\$ -	(1,056,206)
Capital Reserve Fund	900,000	-
Pupil Activity Fund	99,706	-
Food Service Fund	56,500	-
<b>Total</b>	<b>\$ 1,056,206</b>	<b>(1,056,206)</b>

**E. Operating Leases**

The District is committed under various leases for office equipment. These leases are considered, for accounting purposes, to be operating leases, and therefore, the liability and the related assets have not been recorded in these financial statements. All operating leases are annually appropriable.

**F. Long-term Debt**

**1. General Obligation Bonds, Series 2007**

In November 2007, the District's electorate authorized the issuance of general obligation debt in the amount of \$29,500,000. The bonds carry interest rates of 4.0% to 5.25% and are payable semi-annually on June 1 and December 1. Proceeds are being used to upgrade technology infrastructure, upgrade heating, ventilation and lighting, add additional classrooms and repair or improve other District facilities. The bonds maturing on and after December 1, 2019 and before December 1, 2024 were refunded through the issuance of the 2014 General Obligation Refunding Bonds.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Long-term Debt (continued)**

**1. General Obligation Bonds, Series 2007 (continued)**

The bonds maturing on and after December 1, 2025 and before December 1, 2028 were refunded through the issuance of the 2015 General Obligation Refunding Bonds.

As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position.

**2. General Obligation Refunding Bonds, Series 2014**

On February 27, 2014, the District issued \$9,390,000 of General Obligation Refunding Bonds, Series 2014. Proceeds from this bond issue were used to refund a portion of the District's General Obligation Bonds, Series 2007. The interest on the Series 2014 Bonds ranges from 2.0% to 3.0% and is payable semi-annually on June 1 and December 1, through 2023

The reacquisition price exceeds net carrying amount of the old debt by \$1,409,565. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The refunding resulted in a present value savings of \$466,368.

**3. General Obligation Refunding Bonds, Series 2015**

On January 21, 2015, the District issued \$8,515,000 of General Obligation Refunding Bonds, Series 2015. Proceeds from this bond issue were used to refund a portion of the District's General Obligation Bonds, Series 2007. The interest on the Series 2015 Bonds ranges from 2.0% to 4.0% and is payable semi-annually on June 1 and December 1, through 2027

The reacquisition price exceeds net carrying amount of the old debt by \$1,119,073. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The refunding resulted in a present value savings of \$1,355,206.

**4. Defeasance of Debt**

As noted above, proceeds of the refunding bond issue were used to purchase U.S. government securities to retire outstanding issuances. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The District is unable to determine the amount of defeased bonds outstanding at year-end.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Long-term Debt (continued)**

**5. Bond Trustee**

Colorado State Statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with UMB Bank in order to meet this requirement.

**6. Schedule of Future Debt Service Payments**

The District's future annual debt service requirements are as follows:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,610,000	647,469	2,257,469
2020	1,690,000	579,850	2,269,850
2021	1,745,000	526,200	2,271,200
2022	1,800,000	473,175	2,273,175
2023	1,850,000	418,575	2,268,575
2024-2028	10,255,000	1,046,250	11,301,250
<b>Totals</b>	<b>\$ 18,950,000</b>	<b>3,691,519</b>	<b>22,641,519</b>

The District is obligated under certain lease agreements for technology equipment. These obligations are accounted for as capital leases. The leased assets and related obligations are accounted for in the Statement of Net Position. The following is a schedule of future minimum rental payments due under the terms of the District's capital leases:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 384,965	10,204	395,169
<b>Totals</b>	<b>\$ 384,965</b>	<b>10,204</b>	<b>395,169</b>

The net book value of the assets acquired through the capital leases is computed as follows:

Historical Cost	\$ 1,603,400
Less; Accumulated depreciation	(968,286)
Net book value	<u>\$ 635,114</u>

**7. Compensated Absences**

The District has a policy for the accumulation of sick and personal leave payouts. This policy is subject to certain limits, which are established by the Board, and are based on the employee's length of service with the District.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Long-term Debt (continued)**

**7. Compensated Absences (continued)**

The estimated liability for all employees is recorded in governmental activities in the Statement of Net Position. The General Fund generally liquidates the compensated absences liability.

**8. Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2018:

	<b>Balance July 1, 2017 (Restated)</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2018</b>	<b>Due in one Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 20,500,000	-	(1,550,000)	18,950,000	1,610,000
Premium on general obligation bonds	2,665,475	-	(417,881)	2,247,594	-
Capital leases	862,381	-	(477,416)	384,965	384,965
Compensated absences	324,279	-	(30,474)	293,805	-
Net OPEB liability	1,871,954	-	(84,184)	1,787,770	-
Net unfunded pension liability	75,628,160	2,707,498	-	78,335,658	-
<b>Total</b>	<u>\$ 101,852,249</u>	<u>2,707,498</u>	<u>(2,559,955)</u>	<u>101,999,792</u>	<u>1,994,965</u>

**G. 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 \$78,335,658 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 0.24%, as compared to its proportion of 0.25% measured as of December 31, 2016.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

For the year ended June 30, 2018, the District recognized pension expense of \$14,373,682. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 1,440,263	-
Changes of assumptions or other inputs	20,002,004	126,928
Net difference between projected and actual earnings on pension plan investments	-	3,076,316
Changes in proportionate share of contributions	-	2,603,566
Difference between actual and reported contributions recognized	493	-
Contributions subsequent to the measurement date	1,100,400	-
<b>Total</b>	<b>\$ 22,543,160</b>	<b>5,806,810</b>

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30,</b>	<b>Amortization</b>
2018	\$ 10,846,302
2019	6,145,755
2020	(198,787)
2021	(1,157,320)
<b>Total</b>	<b>\$ 15,635,950</b>

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

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

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

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

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

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

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

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

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**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 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%
<b>Total</b>	<u><u>100.00%</u></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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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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%)
Collective net pension liability	\$ 40,846,431,000	32,336,446,000	25,401,780,000
Proportionate share of net pension liability	98,970,902	78,335,658	61,548,513

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

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

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

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

- 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 \$78,335,658 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

	<b>Estimated Discount Rate</b>	<b>Proportionate Share</b>
	<b>Discount Rate</b>	<b>of the Estimated</b>
	<b>Plan Provisions</b>	<b>Net Pension Liability</b>
	<b>Calculated Using</b>	<b>Calculated Using</b>
	<b>Required by SB 18-200</b>	<b>Plan Provisions</b>
	<b>(pro forma)</b>	<b>Required by SB 18-200</b>
	<u>7.25%</u>	<u>(pro forma)</u>
Collective Net Pension Liability	7.25%	\$ 14,609,326,000
Proportionate Share of Net Pension Liability	7.25%	35,398,397

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 \$36,574,834 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources**

At June 30, 2018, the District reported a liability for Other Post-Employment Benefits ("OPEB") of the Health Care Trust Fund ("HCTF") of \$1,787,770 for its proportionate share of net OPEB. The net OPEB liability 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 Health Care Trust Fund ("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 0.135%, as compared to its proportion of 0.144% measured as of December 31, 2016.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

For the year ended June 30, 2018, the District recognized other post-employment benefit expense of \$125,786. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 8,455	-
Net difference between projected and actual earnings on plan investments	-	29,909
Changes in proportionate share of contributions	-	73,887
Contributions subsequent to measurement date	58,672	-
<b>Total</b>	<b>\$ 67,127</b>	<b>103,796</b>

Contributions subsequent to the measurement date of December 31, 2017, which are reported as deferred outflows of resources related to other post-employment benefits, will be recognized as a reduction of the net other post-employment benefits liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30,</b>	<b>Amortization</b>
2019	\$ (20,332)
2020	(20,332)
2021	(20,332)
2022	(20,329)
2023	(12,854)
Thereafter	(1,162)
<b>Total</b>	<b>\$ (95,341)</b>

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

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

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

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

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.

**Moffat County School District RE-1**  
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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

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

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

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

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

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

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

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.
- 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.

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**Notes to the Financial Statements**  
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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

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	10 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%
<b>Total</b>	<b>100.00%</b>	

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
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**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

*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>
PERA Care 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	3.25%	4.25%	5.25%
Collective Net OPEB Liability	\$ 1,263,843,000	\$ 1,299,600,000	\$ 1,342,667,000
Proportionate Share of Net OPEB Liability	1,738,581	1,787,770	1,847,014

*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.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Health Care Trust Fund Liabilities and Related Expenses, Deferred Outflows of Resources, and Deferred Inflows of Resources (continued)**

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:

	<b>1% Decrease</b>	<b>Current Discount</b>	<b>1% Increase</b>
	<b>6.25%</b>	<b>7.25%</b>	<b>8.25%</b>
Collective Net OPEB Liability	\$ 1,461,159,000	\$ 1,299,600,000	\$ 1,161,705,000
Proportionate Share of Net OPEB Liability	2,010,015	1,787,770	1,598,077

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 [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**I. Fund Balances**

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balance:

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Education.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**I. Fund Balances (continued)**

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District governmental funds had the following equity designations at June 30, 2018:

	<b>Balance</b>	<b>Reason</b>
Non-spendable		
Food Service Fund	\$ 15,737	Inventory
Restricted		
General Fund	630,000	TABOR
Debt Service Fund	2,409,753	Debt service
Committed		Projects
Student Activities	65,709	
Capital Reserve	603,589	Capital projects
<b>Total</b>	<b>\$ 3,724,788</b>	

The District's minimum fund balance policy states the General Fund will maintain an operational reserve of 22% of the District's current fiscal year's adopted budget.

**V. Other Information**

**A. Defined Benefit Pension Plan**

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

*Benefits provided as of December 31, 2017.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and / or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
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**(Continued)**

**V. Other Information (continued)**

**A. Defined Benefit Pension Plan (continued)**

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

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

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

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

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

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

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**A. Defined Benefit Pension Plan (continued)**

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

*Contributions as of June 30, 2018.* Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	<b>For the Year Ended December 31, 2017</b>	<b>For the Year Ended December 31, 2018</b>
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)	(1.02%)	(1.02%)
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.00%	5.50%
<b>Total Employer Contribution Rate to the SCHDTF</b>	18.63%	19.13%

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 \$2,273,937 for the year ended June 30, 2018.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**B. Postemployment Healthcare Benefits**

*Plan Description.* The District contributes to the Health Care Trust Fund ("HCTF"), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

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

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

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

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**B. Postemployment Healthcare Benefits (continued)**

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.

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$119,643 for the year ended June 30, 2018.

**C. Defined Contribution Pension Plan**

*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](http://www.copera.org/investments/pera-financial-reports).

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**C. Defined Contribution Pension Plan (continued)**

*Funding Policy.* 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. The District did not make any contributions for the year ended June 30, 2018.

**D. Contingencies**

**1. General Legal Matters**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District feels none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2018.

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance on ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2018.

**3. State Programs**

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. Management does not feel that any potential adjustments would be material and that they would affect the fairness of presentation of the financial statements at June 30, 2018.

**D. Northwest Colorado Board of Cooperative Educational Services**

The District is an association member, together with other school districts, participating in certain programs of the Northwest Colorado Board of Cooperative Educational Services (the "BOCES"). The purpose of the BOCES is to pool resources of the individual districts and to provide services common to each on a basis that is more economical than if the same services were provided individually. The District provides its own administrative services and does not bear administrative costs borne equally by fully participating districts as it is not a full member. The District pays for services provided by BOCES charged to each district based upon individual needs and the student population.

For the years ended June 30, 2018 and 2017, the District made operating contributions of \$38,680 and \$37,834, respectively.

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**F. State Interest Free Loan Program**

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district to cover operating expenditures. The program was established to assist districts who receive the majority of their program funding through local property taxes. Most property tax revenues are not received by school districts until the last four months of the fiscal year, resulting in a cash flow deficit. The loans are repaid to the State as property taxes are collected.

In fiscal years 2018, and 2017, the District did not obtain any financing under this program.

**G. Risk Management**

The District is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

The District participated in the Colorado School Districts Self Insurance Pool. The Pool covers all insurance risks except for Worker's Compensation. The District pays annual premiums which are adjusted for any dividends during the year. Claim levels of the Pool may affect the District's premiums in future years. The District did not receive dividends during the year ended June 30, 2018.

*Employee Health Care.* The District has adopted a plan for self-insurance of health and dental benefits for employees which is administered by a third-party administrator. The plan provides for the District to pay all allowable health expenses up to \$95,000 annually, for each insured, with all claims for each insured in excess of \$95,000 insured by a "stop-loss" insurance policy. An aggregate overall stop-loss per calendar year, based on a calculation of monthly attachment points, exists under the plan. Claim payments are based on specific claims expenses. Estimated amounts of subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims, if any. Unpaid claims at yearend included all allocated claims adjustment expenditures. Claims that have been incurred but not reported ("IBNR") are reported as a liability in the *medical benefits fund* (June 30, 2018 - \$197,807, June 30, 2017 - \$356,775, June 30, 2016 - \$285,363).

Changes in the balance of unpaid claims during the past year are as follows:

	<b>Year ended 6/30/18</b>
Unpaid claims, beginning of fiscal year	\$ 356,775
Incurred claims (excluding IBNRs.)	801,627
Claim Payments	(960,595)
Unpaid claims, end of fiscal year	\$ 197,807

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**G. Risk Management (continued)**

*Pupil Counts.* Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

**H. Colorado School District Self Insurance Pool**

The District belongs to the Colorado School Districts Self Insurance Pool (the "Pool"). The Pool was established by the Colorado Association of School Boards ("CASB") to provide insurance coverage to participants in the areas of property, crime, vehicle, liability, School Crisis Act, and other coverage. The majority of the Board of Directors of the Pool is appointed by CASB.

Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, aggregate Pool claims, the cost of administrative and other costs, the number of participants, and the adequacy of operating and reserve funds.

The District's share in the Pool is not determinable from current information. The Pool has issued its own audited financial statements for the six months ended June 30, 2017, the latest available data. The following summary information is presented:

Admitted Assets	\$	42,273,940
Liabilities		(11,655,251)
Surplus		30,618,689
Revenues		7,706,047
Expenses		(4,126,717)
Net Income		3,579,330
Change in non-admitted assets		235,606
Surplus - Beginning		26,803,783
Surplus - Beginning	\$	30,618,719

**Moffat County School District RE-1**  
**Notes to the Financial Statements**  
**June 30, 2018**  
**(Continued)**

**V. Other Information (continued)**

**I. Restatement of Net Position**

In 2018, the District implemented Government Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, requires employers to recognize their long-term obligation for OPEB as a liability and OPEB related deferred outflows of resources and deferred inflows of resources on the Statement of Net Position. As such, the District's 2018 financial statements report a restatement of net position on the Statement of Activities for governmental activities for \$1,814,319 which was the net amount of the District's long-term obligation of \$1,871,954 and deferred outflows of resources of \$57,635 related to OPEB benefits at June 30, 2017.



**Moffat County School District RE-1**  
**Required Supplementary Information**

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<u>2018</u>			<u>Final</u>	<u>2017</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>Variance</u>	<u>Amounts</u>
				<u>Positive</u>	
				<u>(Negative)</u>	
<b>REVENUES</b>					
Taxes:					
Property taxes	10,386,506	10,461,506	10,513,770	52,264	10,337,765
Specific ownership taxes	1,060,854	1,060,854	1,178,335	117,481	1,096,287
Intergovernmental - State revenue	8,237,675	8,237,675	8,330,032	92,357	6,399,792
Intergovernmental - Federal revenue	912,400	912,400	773,893	(138,507)	955,458
Interest income	20,000	20,000	49,561	29,561	22,720
Other	595,500	595,500	621,779	26,279	708,392
	<u>21,212,935</u>	<u>21,287,935</u>	<u>21,467,370</u>	<u>179,435</u>	<u>19,520,414</u>
<b>EXPENDITURES</b>					
Direct instruction	12,381,651	12,443,651	12,001,361	442,290	11,461,855
Indirect instruction	2,426,369	2,389,277	2,389,268	9	2,137,227
Transportation	697,313	737,313	815,446	(78,133)	692,229
Custodial and maintenance	2,911,013	2,911,013	2,660,608	250,405	2,396,253
Support services	607,161	646,244	512,642	133,602	475,586
General administration	1,857,037	1,877,037	1,970,296	(93,259)	1,735,584
Community service	69,527	69,527	64,431	5,096	65,298
Debt service:					
Interest and fiscal charges	50,000	50,000	45,912	4,088	42,492
	<u>21,000,071</u>	<u>21,124,062</u>	<u>20,459,964</u>	<u>664,098</u>	<u>19,006,524</u>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER EXPENDITURES</b>	212,864	163,873	1,007,406	843,533	513,890
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	(558,700)	(858,700)	(1,056,206)	(197,506)	(705,700)
	<u>(558,700)</u>	<u>(858,700)</u>	<u>(1,056,206)</u>	<u>(197,506)</u>	<u>(705,700)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(345,836)	(694,827)	(48,800)	646,027	(191,810)
<b>FUNDS BALANCES, BEGINNING</b>	6,888,026	7,470,946	7,470,946	-	7,662,756
<b>FUND BALANCES (DEFICIT), ENDING</b>	<u>6,542,190</u>	<u>6,776,119</u>	<u>7,422,146</u>	<u>646,027</u>	<u>7,470,946</u>

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

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**Special Revenue Fund**  
**Food Services Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<b>2018</b>			<b>Final Budget Variance Positive (Negative)</b>	<b>2017</b>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>		<b>Actual Amounts</b>
<b>REVENUES</b>					
Food and ala carte sales	138,000	138,000	141,152	3,152	161,388
Federal aid:					
Federal government meal reimbursement	454,000	454,000	374,949	(79,051)	424,164
USDA commodity contribution	45,000	45,000	50,467	5,467	62,468
State reimbursement	10,000	10,000	6,053	(3,947)	12,360
Interest income	5	5	10	5	10
<b>Total revenues</b>	<b>647,005</b>	<b>647,005</b>	<b>572,631</b>	<b>(74,374)</b>	<b>660,390</b>
<b>EXPENDITURES</b>					
Salaries and employee benefits	311,494	311,494	306,439	5,055	388,852
Purchased services	8,000	33,000	8,136	24,864	7,247
Supplies	22,000	22,000	17,900	4,100	20,925
Food costs:					
Purchased food	260,000	260,000	225,759	34,241	222,614
Donated commodities	45,000	45,000	50,467	(5,467)	50,136
Property	6,500	31,500	5,023	26,477	4,411
<b>Total expenses</b>	<b>652,994</b>	<b>702,994</b>	<b>613,724</b>	<b>89,270</b>	<b>694,185</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(5,989)</b>	<b>(55,989)</b>	<b>(41,093)</b>	<b>14,896</b>	<b>(33,795)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	6,500	56,500	56,500	-	-
<b>Total other financing sources (uses)</b>	<b>6,500</b>	<b>56,500</b>	<b>56,500</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>511</b>	<b>511</b>	<b>15,407</b>	<b>14,896</b>	<b>(33,795)</b>
<b>FUNDS BALANCES, BEGINNING</b>	<b>41,969</b>	<b>200</b>	<b>199</b>	<b>(1)</b>	<b>33,994</b>
<b>FUND BALANCES (DEFICIT), ENDING</b>	<b>42,480</b>	<b>711</b>	<b>15,606</b>	<b>14,895</b>	<b>199</b>

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

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Special Revenue Fund**  
**Pupil Activity Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<u>2018</u>			<u>Final</u>	<u>2017</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>Variance</u>	<u>Amounts</u>
				<u>Positive</u>	
				<u>(Negative)</u>	
<b>REVENUES</b>					
Other income	93,197	93,197	75,013	(18,184)	100,396
Interest Income	-	-	2	2	5
Total revenues	<u>93,197</u>	<u>93,197</u>	<u>75,015</u>	<u>(18,182)</u>	<u>100,401</u>
<b>EXPENDITURES</b>					
Student activities	170,070	170,070	182,095	(12,025)	165,193
Total expenditures	<u>170,070</u>	<u>170,070</u>	<u>182,095</u>	<u>(12,025)</u>	<u>165,193</u>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER EXPENDITURES</b>	(76,873)	(76,873)	(107,080)	(30,207)	(64,792)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	50,000	50,000	99,706	49,706	52,200
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>99,706</u>	<u>49,706</u>	<u>52,200</u>
<b>NET CHANGE IN FUND BALANCES</b>	(26,873)	(26,873)	(7,374)	19,499	(12,592)
<b>FUND BALANCES, BEGINNING</b>	91,208	73,083	73,083	-	85,675
<b>FUND BALANCES, ENDING</b>	<u>64,335</u>	<u>46,210</u>	<u>65,709</u>	<u>19,499</u>	<u>73,083</u>

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

**Moffat County School District RE-1**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's portion of the net pension liability	0.2423%	0.2540%	0.2656%	0.2824%	0.2974%
District's proportionate share of the net pension liability	78,335,658	75,628,160	40,623,395	38,269,580	37,932,017
District's covered-employee payroll	11,729,660	11,696,271	11,649,930	11,815,170	12,248,456
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	668%	647%	349%	324%	317%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	59.20%	62.84%	62.84%	64.07%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to RSI are an integral part of these statements.

**Moffat County School District RE-1**  
**Schedule of District Pension Contributions**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	2,043,195	2,066,885	2,005,997	1,943,497	1,861,851
Contributions in relation to the contractually required contribution	<u>(2,043,195)</u>	<u>(2,066,885)</u>	<u>(2,005,997)</u>	<u>(1,943,497)</u>	<u>(1,861,851)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered-employee payroll	11,729,660	11,696,271	11,649,930	11,815,170	12,248,456
Contributions as a percentage of covered-employee payroll	17.42%	17.67%	17.22%	16.45%	15.20%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to RSI are an integral part of these statements.

**Moffat County School District RE-1**  
**Schedule of District's Proportionate Share of the Net OPEB Liability**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.1376%	0.1444%
District's proportionate share of the net OPEB liability	1,787,770	1,871,954
District's covered-employee payroll	11,729,660	11,696,271
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	15%	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 with fiscal year. Information is only available beginning in fiscal year 2017.

The accompanying notes to RSI are an integral part of these statements.

**Moffat County School District RE-1**  
**Schedule of District OPEB Contributions**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

	<b>2018</b>	<b>2017</b>
Contractually required contribution	170,908	116,284
Contributions in relation to the contractually required contribution	(170,908)	(116,284)
Contribution deficiency (excess)	-	-
District's covered-employee payroll	11,729,660	11,696,271
Contributions as a percentage of covered-employee payroll	1.46%	0.99%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

The accompanying notes to RSI are an integral part of these statements.

**Moffat County School District RE-1**  
**Notes to the Required Supplementary Information**  
**June 30, 2018**  
**(continued)**

**I. Schedule of the District's Proportionate Share of the Net Pension Liability**

**A. Changes to assumptions or other inputs**

**1. Changes Since the December 31, 2016 Actuarial Valuation are as Follows:**

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

**2. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:**

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

**3. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:**

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.

**Moffat County School District RE-1**  
**Notes to the Required Supplementary Information**  
**June 30, 2018**  
**(continued)**

**I. Schedule of the District's Proportionate Share of the Net Pension Liability (continued)**

**A. Changes to assumptions or other inputs (continued)**

**3. Changes Since the December 31, 2014 Actuarial Valuation are as Follows (continued):**

- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

**B. Changes of benefit terms.**

No changes during the years presented above.

**C. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

**II. Notes to the Schedule of District Pension Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented above.

**B. Changes of benefit terms**

No changes during the years presented above.

**C. Changes of size or composition of population covered by benefit terms**

No changes during the years presented above.

**III. Schedule of the District's Proportionate Share of the OPEB Liability**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit term**

No changes during the years presented.

**C. Changes of size or composition of population covered by terms**

No changes during the years presented.

**Moffat County School District RE-1**  
**Notes to the Required Supplementary Information**  
**June 30, 2018**  
**(continued)**

**IV. Notes to the Schedule of District OPEB Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit terms.**

No changes during the years presented.

**C. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented.



**Moffat County School District RE-1**

**Supplementary Information**

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Debt Service Fund**  
**Bond Redemption Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<u>2018</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2017</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>		<b>Actual Amounts</b>
<b>REVENUES</b>					
Property taxes	2,319,888	2,319,888	2,295,272	(24,616)	2,241,672
Interest Income	1,800	1,800	8,468	6,668	3,507
Total revenues	<u>2,321,688</u>	<u>2,321,688</u>	<u>2,303,740</u>	<u>(17,948)</u>	<u>2,245,179</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	1,550,000	1,550,000	1,550,000	-	189,233
Interest	717,188	717,188	717,188	-	2,108,954
Fiscal charges	1,500	1,500	1,250	250	1,388
Total expenditures	<u>2,268,688</u>	<u>2,268,688</u>	<u>2,268,438</u>	<u>250</u>	<u>2,299,575</u>
<b>NET CHANGE IN FUND BALANCES</b>	53,000	53,000	35,302	(17,698)	(54,396)
<b>FUND BALANCES, BEGINNING</b>	<u>2,450,847</u>	<u>2,374,451</u>	<u>2,374,451</u>	<u>-</u>	<u>2,428,847</u>
<b>FUND BALANCES, ENDING</b>	<u><u>2,503,847</u></u>	<u><u>2,427,451</u></u>	<u><u>2,409,753</u></u>	<u><u>(17,698)</u></u>	<u><u>2,374,451</u></u>

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

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Capital Reserve Fund**  
**Capital Projects Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	2018			Final Budget Variance Positive (Negative)	2017
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Other local income	1,400	1,400	3,753	2,353	144,905
Total revenues	1,400	1,400	3,753	2,353	144,905
<b>EXPENDITURES</b>					
Facilities improvements and repairs	303,000	553,000	302,109	250,891	385,386
Other vehicles	120,000	120,000	97,035	22,965	74,247
Lease payments	501,128	501,128	500,514	614	581,894
Total expenditures	924,128	1,174,128	899,658	274,470	1,041,527
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(922,728)	(1,172,728)	(895,905)	276,823	(896,622)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital leases	-	-	-	-	283,728
Transfers in (out)	500,000	750,000	900,000	150,000	653,500
Total other financing sources (uses)	500,000	750,000	900,000	150,000	937,228
<b>NET CHANGE IN FUND BALANCES</b>	(422,728)	(422,728)	4,095	426,823	40,606
<b>FUND BALANCES, BEGINNING</b>	604,858	599,494	599,494	-	558,888
<b>FUND BALANCES, ENDING</b>	182,130	176,766	603,589	426,823	599,494

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

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Budget and Actual (GAAP Basis)**  
**Internal Service Funds**  
**Medical Benefits Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<u>2018</u>			<u>Final</u>	<u>2017</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	<u>Variance</u>	<u>Amounts</u>
				<u>Positive</u>	
				<u>(Negative)</u>	
<b>REVENUES</b>					
Insurance premiums	2,520,000	2,520,000	2,472,531	(47,469)	2,763,192
Investment income	2,000	2,000	21,364	19,364	3,182
Other revenue	-	-	150,179	150,179	-
Total revenues	<u>2,522,000</u>	<u>2,522,000</u>	<u>2,644,074</u>	<u>122,074</u>	<u>2,766,374</u>
<b>EXPENDITURES</b>					
Claims	2,400,000	2,400,000	960,595	1,439,405	2,020,533
Administrative costs	350,000	350,000	356,906	(6,906)	336,456
Total expenditures	<u>2,750,000</u>	<u>2,750,000</u>	<u>1,317,501</u>	<u>1,432,499</u>	<u>2,356,989</u>
<b>CHANGE IN NET POSITION</b>	(228,000)	(228,000)	1,326,573	1,554,573	409,385
<b>NET POSITION - BEGINNING OF THE YEAR</b>	<u>1,148,187</u>	<u>1,328,845</u>	<u>1,328,846</u>	<u>1</u>	<u>919,461</u>
<b>NET POSITION - END OF THE YEAR</b>	<u>920,187</u>	<u>1,100,845</u>	<u>2,655,419</u>	<u>1,554,574</u>	<u>1,328,846</u>

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

**Moffat County School District RE-1**  
**Schedule of Revenues, Expenditures and Changes in Fiduciary**  
**Assets and Liabilities - Budget and Actual (GAAP Basis)**  
**Fiduciary Fund**  
**Student Activity Agency Fund**  
**For the Year Ended June 30, 2018**  
**(With Comparative Actual Amounts for 2017)**

	<u>2018</u>			<u>Final Budget Variance Positive (Negative)</u>	<u>2017</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>		<u>Actual Amounts</u>
<b>ADDITIONS</b>					
Programs	500,000	500,000	380,306	(119,694)	435,581
Total additions	<u>500,000</u>	<u>500,000</u>	<u>380,306</u>	<u>(119,694)</u>	<u>435,581</u>
<b>DEDUCTIONS</b>					
Programs	500,000	500,000	385,318	114,682	403,578
Total deductions	<u>500,000</u>	<u>500,000</u>	<u>385,318</u>	<u>114,682</u>	<u>403,578</u>
<b>CHANGE IN FIDUCIARY ASSETS AND LIABILITIES</b>	-	-	(5,012)	(5,012)	32,003
<b>DUE TO STUDENT ACTIVITIES, BEGINNING</b>	<u>302,455</u>	<u>311,077</u>	<u>302,666</u>	<u>(8,411)</u>	<u>270,663</u>
<b>DUE TO STUDENT ACTIVITIES, ENDING</b>	<u><u>302,455</u></u>	<u><u>311,077</u></u>	<u><u>297,654</u></u>	<u><u>(13,423)</u></u>	<u><u>302,666</u></u>

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

**Moffat County School District RE-1**  
**Schedule of Capital Assets**  
**Used in the Operation of Governmental Funds**  
**Comparative Schedule**  
**June 30, 2018 and 2017**

	<u>2018</u>	<u>2017</u>
<b>Governmental funds capital assets:</b>		
Land	297,333	297,333
Land improvements	455,678	652,060
Buildings and improvements	28,699,067	29,899,221
Equipment	1,347,135	1,703,207
Vehicles	288,773	231,674
Construction in progress	<u>80,170</u>	<u>5,764</u>
 Total governmental funds capital assets	 <u><u>31,168,156</u></u>	 <u><u>32,789,259</u></u>

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



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2020 - MOFFAT COUNTY RE:NO 1  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

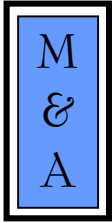
Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	7,470,946	20,411,165	20,459,966	7,422,146
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>7,470,946</b>	<b>20,411,165</b>	<b>20,459,966</b>	<b>7,422,146</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	199	629,132	613,725	15,606
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	73,084	174,722	182,092	65,714
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,374,449	2,303,738	2,268,438	2,409,749
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	599,494	903,753	899,657	603,590
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>10,518,173</b>	<b>24,422,510</b>	<b>24,423,878</b>	<b>10,516,804</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	1,328,846	171,543	-1,155,030	2,655,418
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>1,328,846</b>	<b>171,543</b>	<b>-1,155,030</b>	<b>2,655,418</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	302,671	380,308	385,325	297,654
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>302,671</b>	<b>380,308</b>	<b>385,325</b>	<b>297,654</b>

FINAL



## **Moffat County School District RE-1**

### **Statutory Information**



# MCMAHAN AND ASSOCIATES, L.L.C.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

### Independent Auditor's Report

**To the Board of Education  
Moffat County School District RE-1  
Craig, Colorado**

We have audited, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Moffat County School District RE-1 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2018.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit on 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Member: American Institute of Certified Public Accountants*

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**Compliance and Other Matters**

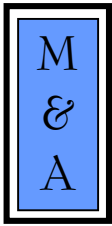
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect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

**Purpose of this Report**

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

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
November 16, 2018**



# MCMAHAN AND ASSOCIATES, L.L.C.

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## **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

### **Independent Auditor's Report**

**To the Board of Education  
Moffat County School District RE-1  
Craig, Colorado**

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

We have audited the Moffat County School District RE-1'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 auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

#### ***Auditor's 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"), and the Guide. Those standards and 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 on the District's compliance with those requirements.

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

In our opinion, the District 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.

*Member: American Institute of Certified Public Accountants*

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***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, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine our 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 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 or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 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 the 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 in 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 Uniform Guidance and the Guide. Accordingly, this report is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**November 16, 2018**

**Moffat County School District RE-1, Colorado**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**Part I: Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Noncompliance material to financial statements noted	None noted

*Federal Awards*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Title 2 U.S. Code of Federal Regulations Part 200</i>	None noted
Major program –	
School Breakfast Program	CFDA #10.553
National School Lunch Program	CFDA #10.555
Food Distribution Commodities	CFDA #10.555
Summer Food Service Program for Children	CFDA #10.559
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	Yes

**Part II: Findings Related to Financial Statements**

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

**Part III: Findings Related to Federal Awards**

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

**Moffat County School District RE-1**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**  
**(Continued)**

**Note:** There were no findings for the fiscal year ended June 30, 2017.

**Moffat County School District RE-1**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2018**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Project Code</u>	<u>Expenditures</u>
<b>United States Department of Education</b>			
<b>Passed through Colorado Department of Education:</b>			
Title I	84.010	4010	\$ 202,598
IDEA Part B: Flow through 94.142 Special Education	84.027	4027	430,751 <b>A</b>
IDEA Preschool 99-457	84.173	4173	21,361 <b>A</b>
Title III Part A - Language Enhancement	84.365	4365	14,546
Title II, Part A Teacher and Principal Training and Recruiting	84.367	4367	64,104
Title IV	84.424	4424	10,000
Early Childhood Readiness Assessment	84.412	5412	1,194
<b>Passed through State Department of Human Resources:</b>			
School to Work Alliance Programs (S.W.A.P)	84.126	5126	122,832
<b>Passed through State Board of Community Colleges:</b>			
Carl Perkins	84.048	5048	11,150
<b>Total United States Department of Education</b>			<u>878,536</u>
<b>United States Department of Agriculture:</b>			
<b>Passed through Moffat County Treasurer:</b>			
Schools and Roads - Grants to States	10.665	7665	<u>18,274</u>
<b>United States Department of Agriculture:</b>			
<b>Passed through Colorado Department of Human Services:</b>			
Food Distribution Commodities	10.555	4555	50,467 <b>B</b>
<b>Passed through Colorado Department of Education:</b>			
School Breakfast Program	10.553	4553	74,986 <b>B</b>
National School Lunch Program	10.555	4555	294,816 <b>B</b>
Summer Food Service Program for Children	10.559	4559	5,147 <b>B</b>
<b>Total United States Department of Agriculture</b>			<u>443,690</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,322,226</u>

**Additional Information for Clusters:**

<b>A</b> - IDEA Cluster	\$ 452,112
<b>B</b> - Child Nutrition Cluster	\$ 425,416

**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 includes the federal grant activity of Moffat County School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2, US Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basis financial statements.

**Note 2. Determining the Value of Non-Cash Awards Expended:**

Food Commodities: Valued at the assessed value provided by the federal agency.

**Note 3. Sub recipients:**

Moffat County School District did not provide any federal awards received to sub recipients.

**Note 4. Indirect Facilities and Administration costs:**

The District does not opt to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F & A) costs.