

**MONTEZUMA COUNTY (DOLORES)
SCHOOL DISTRICT RE-4A**

Accountants' Reports
and
Basic Financial Statements

June 30, 2018

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MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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Majors and Haley, P.C.
Certified Public Accountants

P.O. Box 1478
Cortez, CO 81321
(970) 565-9521
Fax: (970) 565-9441

Chris L. Majors, CPA, MT

Lori Hasty Haley, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Montezuma County (Dolores) School District RE-4A
Dolores, Colorado 81323

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Montezuma County (Dolores) School District RE-4A, Colorado as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Montezuma County (Dolores) School District RE-4A, Colorado, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparisons for the General Fund and the Lunch Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Montezuma County (Dolores) School District RE-4A, Colorado's basic financial statements. The budgetary comparison schedules and Colorado Department of Education Auditors' Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Majors and Haley, P.C.
August 29, 2018

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2018

FINANCIAL HIGHLIGHTS

Key financial highlights for the District in fiscal year 2018 are as follows:

- In total, net position decreased \$3,883,0222 from \$(6,264,508 as restated) to \$(10,147,530). This decrease was solely the result of the District's share of PERA pension and OPEB expense which totaled \$4,663,530.
- General revenues accounted for \$6,791,439 in revenue or 82 percent of all revenues. Program specific revenues in the form of charges for services, grants and contributions accounted for \$1,452,324 or 18 percent of total revenues of \$8,243,763.
- Governmental activities total assets increased by \$805,149 and deferred outflows of resources decreased by \$1,875,509. Total liabilities increased by \$2,216,680 mainly due to the increase in the District's share of the PERA net pension and OPEB liabilities. Total deferred inflows of resources increased by \$1,189,035.
- The District incurred \$12,126,785 in expenses related to government activities. \$1,452,324 of these expenses was offset by program specific charges for services, grants and contributions. General revenues (primarily state equalization and property taxes) of \$6,791,439 covered all but \$3,883,022 of the cost of these programs.
- Among the major funds, the General Fund had \$7,571,675 in revenues and \$7,464,164 in expenditures including transfers. It's fund balance increased by \$107,511 from \$3,758,014 to \$3,865,525.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2018

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private companies. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources if applicable. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net position and how it has changed. Net position (the difference between the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources if applicable) is one way to measure the District's financial position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) For the Year Ended June 30, 2018

- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school facilities.

In the district-wide financial statements, the District's activities are included in one category:

- **Governmental activities-** All of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes many other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds-** Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or difference) between them.
- **Fiduciary funds-** The District is the agent, or fiduciary, for assets that belong to others, such as the Pupil Activity Fund. The District is responsible for ensuring that the assets reported in the fund are used only

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018**

for their intended purposes and by those whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Total assets increased by \$805,149. Net capital assets decreased by \$143,449. Total liabilities increased by \$2,216,680.

The District's combined net position was smaller on June 30, 2018 than it was at June 30, 2017, decreasing by \$3,883,022 to \$(10,147,530).

Table 1 provides a summary of the District's net position for 2018 compared to 2017:

Table 1
Condensed Statement of Net Position
(In millions)

	Governmental Activities	
	2018	2017
Assets		
Current assets	\$ 6.312	\$ 5.363
Capital assets	9.306	9.450
Total assets	<u>15.618</u>	<u>14.813</u>
Deferred outflows	<u>7.635</u>	<u>9.511</u>
Liabilities		
Current liabilities	1.449	1.159
Noncurrent liabilities	30.426	28.500
Total liabilities	<u>31.875</u>	<u>29.659</u>
Deferred inflows of resources	<u>1.526</u>	<u>0.337</u>
Net Position		
Net invest capital assets	5.539	5.357
Restricted	0.895	0.891
Unrestricted	(16.582)	(11.920)
Total net position	<u>\$ (10.148)</u>	<u>\$ (5.672)</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018

Table 2 shows the changes in net position for fiscal year 2018 as compared to 2017.

Table 2
Changes in Net Position
(In millions)

	Governmental Activities	
	2018	2017
Revenues		
Program revenues		
Charges for services	\$ 0.345	\$ 0.249
Operating grants & contributions	0.991	0.737
Capital grants & contributions	0.116	0.055
General revenues		
Property taxes	1.967	2.013
State equalization	4.359	4.225
Other	0.466	0.375
Total revenues	<u>8.244</u>	<u>7.654</u>
Expenses		
Instruction	7.416	6.784
Pupil and instructional services	0.741	0.579
Administration and business	1.477	1.418
Maintenance and operations	0.844	0.896
Transportation	0.531	0.497
Food Service	0.371	0.366
Other	0.747	0.762
Total expenses	<u>12.127</u>	<u>11.302</u>
Increase (decrease) in net position	<u>\$ (3.883)</u>	<u>\$ (3.648)</u>

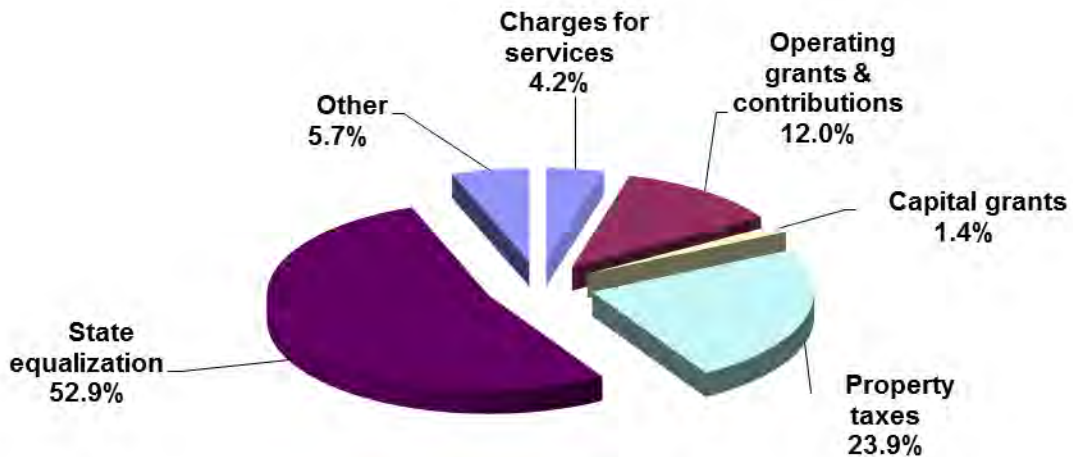
MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018**

State equalization and property taxes accounted for most of the District's total revenue, with each contributing 52.9 percent and 23.9 percent respectively (See Table 3). Another 13.4 percent came from local, state and federal grants and the remainder from charges for services and miscellaneous sources.

The District's expenses are predominately related to instruction, (61 percent) (See Table 4). The District's administrative and business activities accounted for 12 percent of total costs.

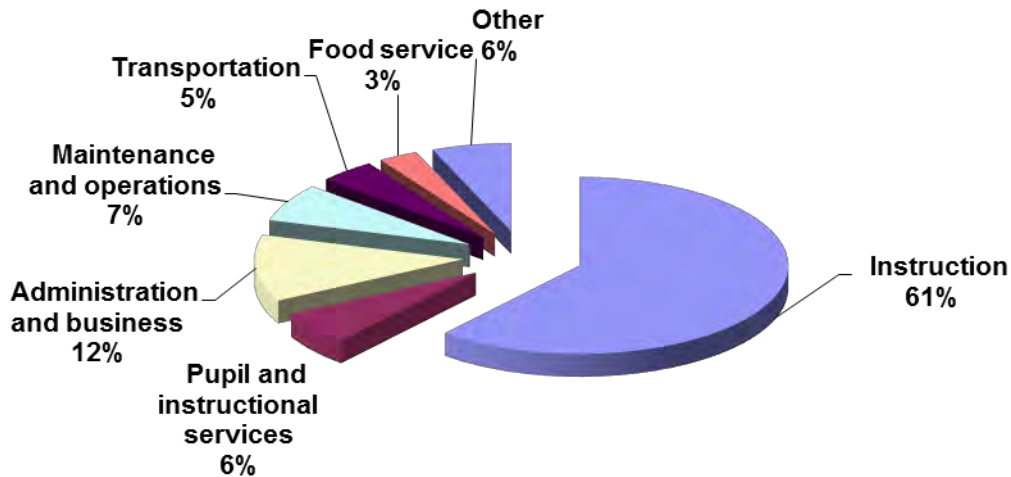
Table 3
Sources of Revenue for Fiscal Year 2018



MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018**

**Table 4
Expenses for Fiscal Year 2018**



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA the District received \$8,134 per funded student. In fiscal year 2018 the funded pupil count was 695.9. Funding for the SFA comes from property taxes, specific ownership taxes and state equalization. The District receives approximately 77 percent of this funding from state equalization while the remaining amounts come from property and specific ownership taxes.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those service costs. Table 5 shows, for governmental activities, the total cost of services and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018

Table 5
Government Activities
(In millions)

	Total Cost of Services		Net Cost of Services	
	2018	2017	2018	2017
Instruction	\$ 7.416	\$ 6.784	\$ 6.558	\$ 6.177
Pupil and instructional services	0.741	0.579	0.569	0.518
Administration and business	1.477	1.418	1.477	1.418
Maintenance and operations	0.844	0.896	0.831	0.883
Transportation	0.531	0.497	0.490	0.444
Food service	0.371	0.366	0.123	0.123
Other	0.747	0.762	0.627	0.697
Total	\$ 12.127	\$ 11.302	\$ 10.675	\$ 10.260

- The cost of all governmental activities during the year was \$12.127 million.
- Some of the cost was financed by the users of the District's programs (\$0.345 million)
- Federal, state and local grants subsidized certain programs with grants and contributions (\$1.107 million).
- However, most of the District's costs (\$6.792 million) were financed by State and District taxpayers. This portion of governmental activities was mainly financed with \$4.359 million in state equalization and \$2.150 million in property and specific ownership taxes.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

**MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Information about the District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$8.244 million and expenditures of \$7.645 million.

General Fund Budgetary Highlights

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.

Over the course of the year, the District revised the annual operating budget by increasing appropriations by \$106,642 mainly to reflect revenues that were greater than anticipated at the time of the original budget.

- Actual expenditures were \$3.975 million below budget.

CAPITAL ASSET ADMINISTRATION

By the end of 2018, the District has invested \$14.353 million in land, buildings, and equipment (including vehicles).

Table 6 shows capital assets for 2018 compared to 2017:

***Table 6
Capital Assets at June 30 (in millions)***

	Governmental Activities	
	2018	2017
Land	\$ 0.070	\$ 0.070
Buildings	12.886	12.802
Equipment	1.397	1.409
Total	<u>\$ 14.353</u>	<u>\$ 14.281</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)
For the Year Ended June 30, 2018

Additional information on the District's capital assets can be found in Note 4 on page 35 of this report.

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District is not aware of any existing circumstances that could significantly affect its financial health in the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, parents, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Office, Montezuma County (Dolores) School District RE-4A, P.O. Box 727 Dolores, Colorado 81323.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Net Position

June 30, 2018

	Governmental Activities	Total
Assets		
Cash	\$ 1,037,994	\$ 1,037,994
Cash with County Treasurer	8,643	8,643
Investments	5,083,352	5,083,352
Grants receivable	12,358	12,358
Taxes receivable	162,044	162,044
Inventory	7,330	7,330
Capital assets	14,352,528	14,352,528
Accumulated depreciation	(5,046,312)	(5,046,312)
Total capital assets, net of depreciation	9,306,216	9,306,216
Total Assets	15,617,937	15,617,937
Deferred Outflows of Resources		
Pension items	7,611,654	7,611,654
OPEB items	23,774	23,774
Total Deferred Outflows of Resources	7,635,428	7,635,428
Liabilities		
Due to other governments	7,943	7,943
Accrued salaries and benefits payable	682,710	682,710
Grants unearned revenue	441,093	441,093
Long-term liabilities		
Due within one year	317,138	317,138
Due in more than one year	3,450,000	3,450,000
Net pension obligation	26,374,075	26,374,075
Net OPEB obligation	602,275	602,275
Total Liabilities	31,875,234	31,875,234
Deferred Inflows of Resources		
Unearned property tax revenues	96,787	96,787
Pension items	1,409,156	1,409,156
OPEB items	19,718	19,718
Total Deferred Inflows of Resources	1,525,661	1,525,661
Net Position		
Net investment in capital assets	5,539,078	5,539,078
Restricted		
TABOR	250,000	250,000
Debt service	645,473	645,473
Unrestricted	(16,582,081)	(16,582,081)
Total Net Position	\$ (10,147,530)	\$ (10,147,530)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Activities

For the Year Ended June 30, 2018

	Expenses	Program Revenues			Net (Expenses) Revenue And Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Total
Governmental Activities						
Instructional Program Services	\$ 7,415,511	\$ 242,872	\$ 559,877	\$ 55,250	\$ (6,557,512)	\$ (6,557,512)
Support Program Services						
Students	563,164		145,267		(417,897)	(417,897)
Instructional staff	178,121		26,981		(151,140)	(151,140)
General administration	516,516				(516,516)	(516,516)
School administration	740,647				(740,647)	(740,647)
Business	219,801				(219,801)	(219,801)
Operation and maintenance of plant	844,117	13,000			(831,117)	(831,117)
Student transportation	531,072		41,141		(489,931)	(489,931)
Central	254,797		59,114		(195,683)	(195,683)
Other	57,940				(57,940)	(57,940)
Non instructional					-	-
Food service	371,003	89,286	158,707		(123,010)	(123,010)
Enterprise operations	20,858				(20,858)	(20,858)
Community	7,284				(7,284)	(7,284)
Facilities acquisition	4,800			60,829	56,029	56,029
Other	450				(450)	(450)
Interest on long-term debt	127,614				(127,614)	(127,614)
Depreciation excluding amounts directly allocated to programs	273,090				(273,090)	(273,090)
Total Governmental Activities	12,126,785	345,158	991,087	116,079	(10,674,461)	(10,674,461)
Total School District	\$ 12,126,785	\$ 345,158	\$ 991,087	\$ 116,079	(10,674,461)	(10,674,461)
General Revenues						
Property tax for general purposes					1,553,423	1,553,423
Specific Ownership tax for general purposes					183,174	183,174
Property tax for debt repayment					413,184	413,184
Delinquent taxes and interest					6,540	6,540
Intergovernmental						
State Equalization					4,359,442	4,359,442
State Categorical adjustments					(7,943)	(7,943)
Mineral Leasing					37,733	37,733
Forest Service					27,441	27,441
Earnings on investments					73,992	73,992
Miscellaneous					144,453	144,453
Total General Revenues					6,791,439	6,791,439
Changes in Net Position					(3,883,022)	(3,883,022)
Net Position Beginning of the Year (as restated)					(6,264,508)	(6,264,508)
Net Position End of the Year					\$ (10,147,530)	\$ (10,147,530)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Balance Sheet
Governmental Funds

June 30, 2018

	General Fund	Lunch Fund	Debt Service Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Assets					
Cash	\$ 493,933	\$ 61,398		\$ 482,663	\$ 1,037,994
Cash with County Treasurer	6,822		\$ 1,821		8,643
Investments	4,415,022		629,903	38,427	5,083,352
Grants receivable	12,358				12,358
Taxes receivable	127,976		34,068		162,044
Inventory		7,330			7,330
Total Assets	\$ 5,056,111	\$ 68,728	\$ 665,792	\$ 521,090	\$ 6,311,721
Liabilities					
Due to other governments	7,943				\$ 7,943
Accrued salaries and benefits payable	665,082	\$ 17,628			682,710
Grants unearned revenue	441,093				441,093
Total Liabilities	1,114,118	17,628	-	-	1,131,746
Deferred Inflows of Resources					
Unearned property tax revenue	76,468		\$ 20,319		96,787
Fund Balances					
Nonspendable					
Inventories		7,330			7,330
Restricted					
TABOR	250,000				250,000
Debt service			645,473		645,473
Unrestricted					
Assigned for fiscal year 19 expenditures	3,615,525	43,770		\$ 521,090	4,180,385
Total Fund Balances	3,865,525	51,100	645,473	521,090	5,083,188
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,056,111	\$ 68,728	\$ 665,792	\$ 521,090	\$ 6,311,721

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Reconciliation of the Governmental Funds Balance Sheet
with the Statement of Net Position

June 30, 2018

Total Fund Balance Governmental Funds \$ 5,083,188

Amounts reported for governmental activities in the Statement of Net Position are different because

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Capital assets	\$ 14,352,528	
Accumulated depreciation	<u>(5,046,312)</u>	9,306,216

Long term liabilities are not due and payable in the current period and therefore, they are not reported in the governmental funds balance sheet

Due within one year	(317,138)	
Due in more than one year	<u>(3,450,000)</u>	(3,767,138)

Some liabilities, including net pension and OPEB obligations, are not due and payable in the current period and, therefore, are not reported in the governmental funds balance sheet

Net pension obligation	(26,374,075)	
Net OPEB obligation	<u>(602,275)</u>	(26,976,350)

Deferred outflows and inflows of resources related to pensions and OPEB plans are applicable to future periods and, therefore, are not reported in the governmental funds balance sheet

Deferred outflows of resources related to pensions	7,611,654	
Deferred outflows of resources related to OPEB plans	23,774	
Deferred inflows of resources related to pensions	(1,409,156)	
Deferred inflows of resources related to OPEB plans	<u>(19,718)</u>	6,206,554

Total Net Position Governmental Activities \$ (10,147,530)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

For the Year Ended June 30, 2018

	General Fund	Lunch Fund	Debt Service Fund	Capital Reserve Capital Projects Fund	Total Governmental Funds
Revenues					
Taxes	\$ 1,741,780		\$ 414,541		\$ 2,156,321
State sources	4,996,166	\$ 3,878			5,000,044
Federal sources	252,887	154,829			407,716
Earnings on investments	67,506	27	5,849	\$ 610	73,992
Other	513,336	92,234	120		605,690
Total Revenues	<u>7,571,675</u>	<u>250,968</u>	<u>420,510</u>	<u>610</u>	<u>8,243,763</u>
Expenditures					
Instructional Program	4,292,100				4,292,100
Support Programs					
Pupils	308,069				308,069
Instructional staff	121,227				121,227
General administration	327,176				327,176
School administration	406,272				406,272
Business	116,737				116,737
Operation and maintenance of plant	638,272				638,272
Student transportation	299,976			51,910	351,886
Central	185,428			5,013	190,441
Other	57,940				57,940
Food service	25,214	239,495			264,709
Enterprise operations	20,858				20,858
Community	7,284				7,284
Facilities	65,629			22,942	88,571
Other uses			450		450
Debt Service					
Principal	35,306		290,000		325,306
Interest	1,676		125,938		127,614
Total Expenditures	<u>6,909,164</u>	<u>239,495</u>	<u>416,388</u>	<u>79,865</u>	<u>7,644,912</u>
Excess revenues over (under) expenditures	<u>662,511</u>	<u>11,473</u>	<u>4,122</u>	<u>(79,255)</u>	<u>598,851</u>
Other Financing Sources (Uses)					
Transfers in (out)	(555,000)			555,000	-
Total Other Financing Sources (Uses)	<u>(555,000)</u>	<u>-</u>	<u>-</u>	<u>555,000</u>	<u>-</u>
Net Change in Fund Balances	107,511	11,473	4,122	475,745	598,851
Fund Balances beginning of the year	3,758,014	39,627	641,351	45,345	4,484,337
Fund Balances end of the year	<u>\$ 3,865,525</u>	<u>\$ 51,100</u>	<u>\$ 645,473</u>	<u>\$ 521,090</u>	<u>\$ 5,083,188</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
 Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of
 Governmental Funds to the Statement of Activities

For the Year Ended June 30, 2018

Net Change in Fund Balances Governmental Funds \$ 598,851

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

Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlay	\$	190,931	
Depreciation expense		(334,580)	
			(143,649)

Repayment of debt principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the Statement of Net Position.

General obligation bond payments		290,000	
Capital lease payments		35,306	
			325,306

Governmental funds report district pension and OPEB contributions as expenditures. However, in the Statement of Activities, the cost of pension and OPEB benefits earned net of employee contributions are reported as an expense.

District pension contributions		743,938	
District OPEB contributions		40,169	
Cost of benefits earned net of employee contributions		(5,402,305)	
Cost of OPEB benefits earned net of employee contributions		(45,332)	(4,663,530)

Change in Net Position of Governmental Activities \$ (3,883,022)

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
Revenues from local sources				
Current property taxes	\$ 1,538,568	\$ 1,593,677	\$ 1,553,423	\$ (40,254)
Specific ownership taxes	102,076	95,048	183,174	88,126
Delinquent taxes and interest on taxes	2,100	1,100	5,183	4,083
Earnings on investments	20,000	45,000	67,506	22,506
Tuition	227,000	195,000	231,939	36,939
Other	66,200	605,157	281,397	(323,760)
Total revenues from local sources	1,955,944	2,534,982	2,322,622	(212,360)
Revenues from state sources				
State Equalization	4,330,352	4,358,289	4,359,442	1,153
Transportation	50,000	44,000	41,141	(2,859)
State Categorical Adjustments			(7,943)	(7,943)
Vocational Education			14,173	14,173
Early Literacy	92,086	105,718	108,925	3,207
English Language Proficiency Act	2,500	4,315	4,315	-
State ELPA	3,000	5,984	5,472	(512)
Read Act		26,047	16,636	(9,411)
Library Grant	3,000	3,500	3,500	-
Small Rural Schools	254,046	254,046	313,552	59,506
Health Care Professional		121,840	121,840	-
Additional At Risk Students			3,734	3,734
Services within BOCES	35,700	35,700	11,379	(24,321)
Total revenues from state sources	4,770,684	4,959,439	4,996,166	36,727
Revenues from federal sources				
Title I	115,000	139,901	140,367	466
Rural Low Income Schools	10,000	6,466	4,738	(1,728)
Title II Part A	20,000	37,882	18,743	(19,139)
RTTT Early Childhood	500	440	438	(2)
Services within other districts	1,000	1,000		(1,000)
Forest Service	3,500	3,500	27,441	23,941
Medicaid	11,000	14,000	23,427	9,427
Mineral Leasing	40,000	37,733	37,733	-
Total revenues from federal sources	201,000	240,922	252,887	11,965
Total revenues	6,927,628	7,735,343	7,571,675	(163,668)

The accompanying notes are an integral part of this statement.

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 2,665,436	\$ 2,741,352	\$ 2,706,213	\$ 35,139
Employee benefits	955,797	1,007,817	985,653	22,164
Purchased services				
Professional and technical	57,627	71,914	70,880	1,034
Property	40,600	40,600	40,363	237
Other	179,235	205,631	210,709	(5,078)
Supplies	193,099	214,443	203,955	10,488
Property	74,432	73,050	70,118	2,932
Other	7,100	7,100	4,209	2,891
Total instruction	4,173,326	4,361,907	4,292,100	69,807
Pupils				
Salaries	203,823	241,480	214,530	26,950
Employee benefits	75,568	80,921	76,318	4,603
Purchased services				
Professional and technical		8,115	8,115	-
Other	2,950	7,592	6,053	1,539
Supplies	3,065	3,065	3,053	12
Total pupils	285,406	341,173	308,069	33,104
Instructional staff				
Salaries	46,250	56,820	52,010	4,810
Employee benefits	15,926	18,165	16,313	1,852
Purchased services				
Professional and technical	25,000	28,400	10,908	17,492
Other	5,000	5,500	9,254	(3,754)
Supplies	19,100	26,600	26,152	448
Property	12,000	8,466	6,590	1,876
Total instructional staff	123,276	143,951	121,227	22,724

The accompanying notes are an integral part of this statement.

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
General administration				
Salaries	\$ 151,150	\$ 156,200	\$ 165,197	\$ (8,997)
Employee benefits	57,356	58,324	56,677	1,647
Purchased services				
Professional and technical	67,300	76,800	37,469	39,331
Property	19,000	16,500	16,176	324
Other	33,200	33,200	23,475	9,725
Supplies	25,500	26,882	20,152	6,730
Property	500	500	417	83
Other	9,000	9,000	7,613	1,387
Total general administration	363,006	377,406	327,176	50,230
School administration				
Salaries	305,120	299,425	295,583	3,842
Employee benefits	109,224	103,884	99,433	4,451
Purchased services				
Property	1,150	1,150	985	165
Other	8,400	8,400	6,561	1,839
Supplies	2,615	2,615	2,605	10
Other	1,600	1,600	1,105	495
Total school administration	428,109	417,074	406,272	10,802
Business services				
Salaries	96,505	92,000	87,253	4,747
Employee benefits	31,618	31,546	25,099	6,447
Purchased services				
Other	9,000	6,000	4,080	1,920
Other	250	250	305	(55)
Total business services	137,373	129,796	116,737	13,059

The accompanying notes are an integral part of this statement.

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Operations and maintenance				
Salaries	\$ 216,195	\$ 216,500	\$ 176,619	\$ 39,881
Employee benefits	92,063	86,758	67,073	19,685
Purchased services				
Property	67,800	70,800	63,643	7,157
Other	161,547	176,556	149,823	26,733
Supplies	203,200	203,700	174,014	29,686
Property	10,000	10,000	7,100	2,900
Other	50	50		50
Total operations and maintenance	750,855	764,364	638,272	126,092
Student transportation				
Salaries	158,200	150,700	147,884	2,816
Employee benefits	52,433	51,279	42,907	8,372
Purchased services				
Professional and technical	15,500	15,500	10,777	4,723
Property	1,500	1,500	1,455	45
Other	18,350	18,350	17,036	1,314
Supplies	81,500	82,500	77,375	5,125
Property	2,500	2,500	2,500	-
Other	300	300	42	258
Total student transportation	330,283	322,629	299,976	22,653
Central support				
Salaries	54,500	54,500	54,687	(187)
Employee benefits	17,782	17,746	17,658	88
Purchased services				
Professional and technical	20,000	9,500		9,500
Property	1,400	1,400	1,142	258
Other	50,000	50,000	46,151	3,849
Supplies	5,000	5,000	4,276	724
Property	101,400	101,400	61,514	39,886
Total central support	250,082	239,546	185,428	54,118

The accompanying notes are an integral part of this statement.

(Continued)

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures, and Changes in
Fund Balances- Budget and Actual
General Fund
(Continued)

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Other support services				
Purchased services				
Other	\$ 62,100	\$ 62,100	\$ 57,940	\$ 4,160
Food service operations				
Salaries	15,450	15,450	15,912	(462)
Employee benefits	9,384	9,328	9,302	26
Total food service operations	<u>24,834</u>	<u>24,778</u>	<u>25,214</u>	<u>(436)</u>
Enterprise operations				
Salaries	65,500		702	(702)
Employee benefits	37,860		148	(148)
Purchases services				
Property		750	747	3
Supplies	22,500	31,500	19,261	12,239
Property		4,800		4,800
Total enterprise operations	<u>125,860</u>	<u>37,050</u>	<u>20,858</u>	<u>16,192</u>
Community operations				
Purchased services				
Professional and technical	750	15,000	6,084	8,916
Property	1,200	1,200	1,200	-
Total community operations	<u>1,950</u>	<u>16,200</u>	<u>7,284</u>	<u>8,916</u>
Facilities				
Property		478,000	65,629	412,371
Debt Service				
Principal	35,305	35,305	35,306	(1)
Interest	1,676	1,676	1,676	-
Total debt service	<u>36,981</u>	<u>36,981</u>	<u>36,982</u>	<u>(1)</u>
Appropriated reserves	<u>3,684,104</u>	<u>3,131,232</u>		<u>3,131,232</u>
Total expenditures	<u>10,777,545</u>	<u>10,884,187</u>	<u>6,909,164</u>	<u>3,975,023</u>
Other financing sources (uses)				
Transfer to Capital Projects Fund	(95,000)	(609,170)	(555,000)	54,170
Total other financing sources (uses)	<u>(95,000)</u>	<u>(609,170)</u>	<u>(555,000)</u>	<u>54,170</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,944,917)</u>	<u>(3,758,014)</u>	<u>107,511</u>	<u>3,865,525</u>
Fund balance, beginning	3,944,917	3,758,014	3,758,014	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,865,525</u>	<u>\$ 3,865,525</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Fund Balance- Budget and Actual
Lunch Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Lunch sales	\$ 83,976	\$ 83,976	\$ 89,286	\$ 5,310
Earnings on investments	20	20	27	7
Other	750	925	2,948	2,023
Total local sources	<u>84,746</u>	<u>84,921</u>	<u>92,261</u>	<u>7,340</u>
State sources				
State Matching Grant	2,100	3,000	2,138	(862)
Smart Start Grant	250	250	470	220
School Lunch Protection Program	1,200	1,000	1,270	270
Total state sources	<u>3,550</u>	<u>4,250</u>	<u>3,878</u>	<u>(372)</u>
Federal sources				
National School Lunch Program	102,000	101,125	106,844	5,719
School Breakfast Program	23,500	23,500	29,341	5,841
Donated commodities	11,000	11,000	18,644	7,644
Total federal sources	<u>136,500</u>	<u>135,625</u>	<u>154,829</u>	<u>19,204</u>
Total revenues	<u>224,796</u>	<u>224,796</u>	<u>250,968</u>	<u>26,172</u>
Expenditures				
Food services				
Salaries	78,700	78,700	75,036	3,664
Employee benefits	35,170	34,585	33,666	919
Purchased services				
Professional and technical	4,935	3,435	1,326	2,109
Other	100	100		100
Food and milk	114,200	112,168	100,741	11,427
Commodities uses	11,000	11,000	18,644	(7,644)
Supplies	12,000	11,000	9,082	1,918
Property	2,000	1,000	1,000	-
Other	50	50		50
Appropriated reserves	13,600	12,385		12,385
Total expenditures	<u>271,755</u>	<u>264,423</u>	<u>239,495</u>	<u>24,928</u>
Excess of revenues and other sources over (under) expenditures and other uses	(46,959)	(39,627)	11,473	51,100
Fund balance, beginning	46,959	39,627	39,627	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,100</u>	<u>\$ 51,100</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Statement of Fiduciary Net Position

June 30, 2018

	<u>Agency Fund</u>
Assets	
Cash	\$ 96,177
Total Assets	<u>\$ 96,177</u>
Liabilities	
Due to agency recipients	\$ 96,177
Total Liabilities	<u>\$ 96,177</u>

The accompanying notes are an integral part of this statement.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

- 1. Summary of Significant Accounting Policies** – The accounting policies of the Montezuma County School District RE-4A (“District”) conform to U.S. generally accepted accounting principles, as applicable to school districts. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements of Interpretations). In fiscal year 2018 the District adopted GASB Statement 75.

The following significant accounting policies were applied in the preparation of the accompanying financial statements.

Reporting Entity - The Montezuma County School District RE-4A Board of Education (“Board”) is the basic level of government which has financial accountability and control over all activities related to the public school education in the Town of Dolores, Colorado. The Board receives funding from local, state and federal government sources and must comply with the concomitant requirements of these funding source entities. However, the Board is not included in any other governmental “reporting entity” as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Board Statements 14, 39 and 61, which are included in the District’s reporting entity.

Fund Accounting – The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and in the means by which spending activities are controlled. The various funds are grouped, into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate “fund types”.

Governmental Funds- are used to account for all or most of a government’s general activities, including the collection and disbursement of earmarked funds (special revenue funds). The following are the District’s major governmental funds:

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

Expenditures include all costs associated with the daily operation of the schools, except for programs funded by certain capital outlay expenditures, food service expenditures, extracurricular athletic and other pupil activities, and insurance transactions.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

Lunch Fund- is used to account for the financial transactions related to the food service operations of the District.

Debt Service Fund- is used to account for the accumulation of resources for, and the payment of, long term debt principal, interest and related costs.

Capital Projects Fund- the Capital Projects Fund accounts for the accumulation of resources and expenditure of resources for capital improvements within the District.

Fiduciary Fund- reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore, not available to support the District's own programs. The District does not have any trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results or operations. The District has one agency fund, the Pupil Activity Agency Fund.

Basis of Presentation-

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

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

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

Fund Financial Statements- Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

Fiduciary funds are reported using the economic resources measurement focus.

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

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

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

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within 60 days after year-end, interest, tuition, grants and student fees.

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

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

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

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

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

Expenses/Expenditures- On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the statement of revenues, expenses and changes in fund net assets as an expense with a like amount reported as donated commodities revenue.

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

Budgets and Budgetary Accounting – The District is required by Colorado Statutes to adopt annual budgets for all funds. Each budget is prepared on the same basis (GAAP basis) as that

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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used for accounting purposes. The following procedures are followed in establishing the budgetary data reflected in the financial statements:

Prior to June 1, the Superintendent's staff submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1.

The operating budget includes proposed expenditures and the means of financing them.

Public hearings are conducted to obtain comments.

Prior to June 30, the budget is legally adopted through passage of a resolution by the Board of Education. However, the Board can review and change the adopted budget through December 31.

Formal budgetary integration is employed as a management control device during the year.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Education throughout the year. Following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2018.

	<u>Original Budget</u>	<u>Total Revisions</u>	<u>Revised Budget</u>
General Fund	\$ 10,777,545	\$ 106,642	\$ 10,884,187
Lunch Fund	\$ 271,755	\$ (7,332)	\$ 264,423
Capital Projects Fund	\$ 188,149	\$ 466,666	\$ 654,815
Debt Service Fund	\$ 1,036,456	\$ 32,409	\$ 1,068,865
Pupil Activity Fund	\$ 258,484	\$ (4,368)	\$ 254,116

Appropriations are adopted by resolution for each fund in total and lapse at the end of each year. Over-expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

Encumbrance Accounting – under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed by the District as an extension of formal budgetary integration. Encumbrances outstanding at year-end are cancelled and represent neither a liability nor a reservation of equity.

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Inventories- Inventories in the Lunch Fund consists of both expendable supplies held for consumption and the cost of goods held for resale, the cost of which is recorded as an expense as they are used. Inventories are valued at cost using the first-in, first-out concept.

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

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. The District maintains a capitalization threshold of five thousand dollars. The District does not possess any infrastructure.

All reported capital assets are depreciated. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>	Business-Type Activities <u>Estimated Lives</u>
Buildings and Improvements	20-50 Years	N/A
Furniture and Equipment	5-15 Years	5-15 Years
Vehicles	8 Years	15 Years

Property Tax Revenue Recognition - of the District is recognized when the Montezuma County Treasurer collects it, on behalf of the District. The property tax is levied in December of the year prior to the year the taxes are collected on all taxable property located in the District. Property taxes become an enforceable lien on January 1 of each year, are due on or before June 15 and are delinquent on June 16.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year-end. Delinquent taxes are considered fully collectible and therefore no allowance for uncollectible taxes is provided. Property taxes levied on January 1 and not collected by June 30 are reflected as a receivable; deferred revenue is the portion of property taxes included in the receivable but not yet available as explained above.

Accumulated Unpaid Vacations and Sick Pay- Vacations for twelve- month non-professional employees is two weeks per year after the completion of one year on the job and three weeks per year after the completion of five years on the job. Vacations normally must be taken during the summer months unless special arrangements are made with the immediate supervisor. Vacation time may be accrued and carried over for two years at which time any unused vacation time lapses.

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Certified employees will receive ten sick days on the first day of employment to accrue annually to a maximum of sixty days. Support staff employees will begin accruing sick leave on the first day of employment at the rate of one day per month of service, to a maximum of sixty days. A sick leave bank is available to all participating employees.

Personal leave shall be granted at the rate of two days per year, non-accumulative. Personal leave must be approved by the superintendent after being recommended by the immediate supervisor of the employee.

Vacation time, sick leave and personal leave do not vest or accumulate with the employees, that is, the employees have no right to be paid for any of these if not taken in the time indicated, or if they terminate. Under generally accepted accounting principles, there is, therefore, no expense or liability included in the financial statements.

Accrued Liabilities and General Long-Term Obligations- All payables, accrued liabilities and long-term obligations are reported in the district-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments, the non-current portion of capital leases, compensated absences, and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payment made within sixty days after year-end are considered to have been made with current available financial resources. Bonds and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Governmental Fund Balances- In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable- Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted- Amounts that can be used only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. This includes the District's TABOR reserve for emergencies.

Committed- Amounts that can be used only for specific purposes determined by a formal action by the Board of Education.

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Assigned- Amounts that are designated by the Board of Education for a particular purpose but are not spendable until appropriated. This includes assignments for subsequent year's expenditures and for debt service.

Unassigned- All amounts not included in other spendable classifications.

Use of Restricted Resources- When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the District's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the District's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications- committed and then assigned fund balances before using unassigned fund balances.

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

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

2. Cash and Investments – Cash and investments consist of the following:

Demand accounts	\$ 803,263
Certificates of deposit	330,907
Colostrust	5,083,353
Total cash and investments	<u>\$ 6,217,523</u>

Deposits- The Colorado Public Deposit Protection Act (PDPA) governs the District's cash deposits. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets, to be maintained by another institution or held in trust for all of its local government depositors as a group, with a market value of at least 102% of the uninsured deposits. The State Regulatory Commission for banks and savings and loan

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associations are required by statute to monitor the naming of eligible depositories and the reporting of uninsured deposits and assets maintained in the collateral pools.

Colorado statutes define eligible investments for local governments. These include bonds and other interest-bearing obligations of or guaranteed by the United States government or its agencies, bonds which are direct obligations of the State of Colorado or any of its political subdivisions, repurchase agreements, commercial paper, guaranteed investment contracts and local government investment pools.

At June 30, 2018 the District had investments in one local government investment pool, the Colorado Liquid Asset Trust (COLOTRUST). This investment pool is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The pool is routinely monitored by the Colorado Division of Securities with regard to its operations and investments, which are also subject to provisions of C.R.S. Title 24, Article 75, and Section 6. The fair value of the investments in the pool is the same as the value of the pool shares. This type of investment is not categorized because it is not evidenced by securities that exist in physical or book form. COLOTRUST is rated AAAM by Standard and Poors.

3. Federal, State and Local Administered Grants- are considered to be earned to the extent of expenditures under the provisions of the grant and, accordingly, when such funds are received they are recorded as deferred revenue until earned. Receivables and deferred revenues are as follows:

General Fund	Receivable	Deferred
Federal Grants		
Title I	\$ 612	
State Grants		
State ELPA		\$ 512
Small Rural Schools	11,746	
Early Childhood Literacy		14,000
Read Act		9,411
Local Grants		
Colorado Health Foundation		417,170
 Total	\$ 12,358	\$ 441,093

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4. Capital Assets – Capital asset activity for the fiscal year ended June 30, 2018 follows:

	Capital Assets July 1, 2017	Additions	Deletions Inventory Adjustments/ Transfers	Capital Assets June 30, 2018
Governmental Activities				
Capital assets, not being depreciated:				
Land	\$ 70,000			\$ 70,000
Capital assets, being depreciated:				
Buildings	12,802,366	\$ 83,771		12,886,137
Equipment	1,409,033	107,160	\$ (119,802)	1,396,391
Total capital assets being depreciated	<u>14,211,399</u>	<u>190,931</u>	<u>(119,802)</u>	<u>14,282,528</u>
Less accumulated depreciation for:				
Buildings	(3,764,719)	(68,254)		(3,832,973)
Equipment	(1,066,815)	(266,326)	119,802	(1,213,339)
Total accumulated depreciation	<u>(4,831,534)</u>	<u>(334,580)</u>	<u>119,802</u>	<u>(5,046,312)</u>
Total capital assets, being depreciated, net	9,379,865	(143,649)	-	9,236,216
Governmental Activities Capital Assets, net	<u>\$ 9,449,865</u>	<u>\$ (143,649)</u>	<u>\$ -</u>	<u>\$ 9,306,216</u>

Depreciation expense was charged as a direct expense to the following governmental programs:

Instruction	\$ 930
Transportation	59,478
Operations and Maintenance	650
Food Service	432
Unallocated	273,090
Total depreciation governmental activities	<u>\$ 334,580</u>

5. Defined Benefit Pension Plan –

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

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

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

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

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

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

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

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

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

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total Employer Contribution Rate to the SCHDTF¹	18.63%	19.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$743,938 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$26,374,075 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 the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .0815614533 percent, which was a decrease of .002 percent from its proportion measured as of December 31, 2016. For the year ended June 30, 2018, the District recognized pension expense of \$5,402,305. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 484,908	
Changes in assumptions	6,734,281	\$ 42,734
Net difference between projected and actual earnings on pension plan investments		1,035,735
Changes in proportion and differences between contributions recognized and proportionate share of contributions		330,687
Contributions subsequent to the measurement date	392,465	
Total	<u>\$ 7,611,654</u>	<u>\$ 1,409,156</u>

\$392,465 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 3,991,021
2020	2,216,520
2021	(12,574)
2022	(384,934)

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	

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plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

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

Several factors were considered in evaluating the long-term rate of return 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 expenses and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term

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expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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%
Income Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
High Yield	1.38%	4.30%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Core Real Estate	8.50%	4.90%
Cash	1.00%	0.20%
Total	100.00%	

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

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

Total covered payroll for the initial projection year consisted 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 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 future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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

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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 on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78%.

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 of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, .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:

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	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$33,314,943	\$26,374,075	\$20,718,061

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

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

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

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

- Increases employer contribution rates by .25 percent on July 1, 2019
- Increases employee contribution rates by a total of 2 percent (to be phased in over period of 3 years starting July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

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At June 30, 2018 the District reported a liability of \$26,374,075 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 HB 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 position liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB1 18-200 (pro forma)
<hr/> 7.25%	<hr/> \$11,915,579

Recognizing that the changes and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$12,311,583 of the estimated reduction is attributable to the used of a 7.25 percent discount rate.

6. Defined Contribution Pension Plan

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District has not agreed to match employee contributions. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$16,920 to the Voluntary Investment Program.

7. Other Post-Employment Benefits

Plan description. Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes

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(C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

PERA Benefit Structure

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to

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benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$40,169 for the year ended June 30, 2018.

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

At June 30, 2018 the District reported a liability of \$602,275 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was .0463 percent, which was decrease of .009 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$5,163. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,848	
Net difference between projected and actual earnings on pension plan investments		\$ 10,076
Changes in proportion and differences between contributions recognized and proportionate share of contributions		9,642
Contributions subsequent to the measurement date	20,926	
Total	<u>\$ 23,774</u>	<u>\$ 19,718</u>

\$20,926 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$ (3,821)
2020	(3,821)
2021	(3,821)
2022	(3,820)
2023	(1,301)
2024	(286)

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	

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plan investment expenses, on including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

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

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

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

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

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

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

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

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

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

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

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

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

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

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

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.

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

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

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

Sensitivity of the District'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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	585,704	602,275	622,233

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.

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	677,146	602,275	538,370

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

8. Accrued Salaries – Certified instructors of the District are contracted for nine months annually between Labor Day and June 1. These instructors, while only working nine months, are paid for their services in twelve equal monthly installments. On June 30 of each year they

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

have completed their entire contract, but have only received 10/12 of the related compensation with the difference to be paid over the summer break. The difference, totaling \$682,710 is reflected as an accrued expense at June 30.

9. General Long Term Debt-

Capital Lease- In fiscal year 2009 the District entered into a lease agreement for energy saving heating and cooling equipment. The lease is payable in 40 quarterly payments of \$9,250, including interest at 4.25% beginning on February 25, 2009. The lease is serviced by the General Fund and the equipment serves as collateral. All payment obligations of the District are subject to annual appropriation by the Board of Education.

A summary of the minimum lease payments required to maturity follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 17,138	\$ 270	\$ 17,408
Total	<u>\$ 17,138</u>	<u>\$ 270</u>	<u>\$ 17,408</u>

2008 General Obligation Bonds Payable- In November of 1994, the voters of the District approved the issuance of \$3,500,000 of general obligation building bonds. The bonds, dated December 15, were issued on December 21, 1994. The proceeds of the bonds were used in a school construction project. These bonds were fully retired in the year ended June 30, 2005.

In August of 1997 the District issued \$3,100,000 of bonds and \$299,768 of B-coupon interest. The proceeds from this issue were used to defease \$3,100,000 of the 1994 bonds. The advance refunding was undertaken to reduce total payments by \$272,388. The economic gain was \$160,809.

Interest on both series of bonds is due June 1 and December 1 of each year. The interest on the 1994 series is from 5.8% to 6.1% and interest on the 1998 series is 4.5% to 5.1%. Principal payments are due starting with the December 1, 2001 payment. Property taxes collected by the Debt Service Fund will be used to retire this bond issue.

In January of 2008 the District refinanced the bonds through an advance refunding. The refinancing called for the issuance of \$2,600,000 in general obligation refunding bonds. The refunding bonds are payable in semi-annual installments and bear interest ranging from 3.05% to 4.50%. The advance refunding provided a present value economic gain to the District of \$204,678. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirements to amortize the bonds outstanding at June 30, 2018 are as follows:

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1, 2018	\$ 250,000	\$ 23,175	\$ 273,175
December 1, 2019	265,000	11,925	276,925
Total	<u>\$ 515,000</u>	<u>\$ 35,100</u>	<u>\$ 550,100</u>

2013 General Obligation Bonds Payable- In November of 2012, the voters of the District approved the issuance of \$3,470,000 of general obligation bonds. The bonds were issued January 9, 2013 for the purpose of providing matching money for the State of Colorado Building Excellent Schools Today (BEST) grant program. The proceeds, along with the grant funds will be used for the construction of District facilities. The bonds are payable in annual installments and bear interest ranging from 2% to 3%. The repayment of the bonds is recorded in the Debt Service Fund.

The annual requirements to amortize the bonds outstanding at June 30, 2017 are as follows:

<u>Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
December 1, 2018	\$ 50,000	\$ 97,050	\$ 147,050
December 1, 2019	50,000	95,550	145,550
December 1, 2020	200,000	94,050	294,050
December 1, 2021	205,000	88,050	293,050
December 1, 2022	215,000	81,900	296,900
2023-2027	1,165,000	309,300	1,474,300
2028-2032	1,350,000	123,900	1,473,900
Total	<u>\$ 3,235,000</u>	<u>\$ 889,800</u>	<u>\$ 4,124,800</u>

Changes in Long-Term Debt- A summary of changes in general long-term debt follows:

<u>Description</u>	<u>Balance Beginning</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance Ending</u>
General Obligation Bonds:				
2008 Series	\$ 765,000		\$ (250,000)	\$ 515,000
2013 Series	3,275,000		(40,000)	3,235,000
Capital Lease	52,444		(35,306)	17,138
	<u>\$ 4,092,444</u>	<u>\$ -</u>	<u>\$ (325,306)</u>	<u>\$ 3,767,138</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

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June 30, 2018

10. Inter-fund Operating Transfers – consist of the following:

	<u>Transfer in</u>	<u>Transfer out</u>
General Fund		\$ 555,000
Capital Projects Fund	\$ 555,000	
 Total	 <u>\$ 555,000</u>	 <u>\$ 555,000</u>

The transfer was made for the purpose of subsidizing the Capital Projects Fund.

11. Fund Balance Restrictions and Assignments – Restricted indicates that a portion of the fund balance can only be spent for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors. Assigned indicates amounts that are designated for a specific purpose by the Board of Education but are not spendable until appropriated. The District uses the following restrictions and assignments:

Non-spendable

Inventory- indicates that the portion of fund balance represented by inventories is not available for appropriation and expenditure at the balance sheet date. Non-spendable fund balance related to inventory consists of \$7,330 in the Lunch Fund.

Restricted

TABOR – indicates that a portion of the fund balance has been segregated for expenditures for declared emergencies only. Fund balance restricted for TABOR consists of \$250,000 in the General Fund.

Debt Service- indicates the amount of fund balance that is restricted for the repayment of the District’s outstanding general obligation bonds. Fund balance restricted for debt service consists of \$645,473 in the Debt Service Fund.

Assigned

Assigned for future expenditures – indicates anticipated fund balance available for appropriation in the next budget year. Fund balance assigned for future expenditures consists of \$3,615,525 in the General Fund, \$43,770 in the Lunch Fund and \$521,090 in the Capital Projects Fund.

12. Risk Management – The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Colorado School Districts Self-Insurance Pool (The Pool). The Pool was formed in 1981 to provide 93 member school districts and

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

NOTES TO THE FINANCIAL STATEMENTS June 30, 2018

related educational facilities with defined property and liability coverage through joint self-insurance and excess insurance. The District pays an annual premium for its general insurance coverage. The Pool is self-sustaining through member premiums and obtains excess insurance to limit per occurrence exposure to \$250,000.

The District continues to carry commercial insurance for all other risks of loss including worker's compensation and employee health and accident insurance. There have been no settled claims that have exceeded insurance coverage in any of the past three fiscal years. There have been no significant decreases in insurance coverage from the prior year.

- 13. Tax, Spending, and Debt Limitations** – Colorado Voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The people of the District voted to authorize the spending of all monies in existing funds and to collect, retain, and expend the full revenue, including state grants and taxes, generated during fiscal year 1998 and for each subsequent year regardless of any limitation contained in Article X, Section 20, of the Colorado Constitution. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with all other requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.
- 14. Commitments and Contingent Liabilities** – There were no commitments or contingent liabilities at June 30.
- 15. Restatement of Net Position-** The District adopted GASB Statement 75 in the current fiscal year. This statement requires the District to report its proportionate share of net OPEB liabilities, along with deferred outflows and inflows of resources related to its involvement with the Health Care Trust of PERA see Footnote 7. Accordingly, the beginning net position of the governmental funds was decreased by \$593,053 to reflect the net effect of the District's proportionate share of the above items on its net position at July 1, 2017.

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Required Supplementary Information

June 30, 2018

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements.

Such information includes:

Pension Schedules

Schedule of District Contributions

Schedule of the District's Proportionate Share of the Net Pension Liability

OPEB Schedules

Schedule of District Contributions

Schedule of the District's Proportionate Share of the Net OPEB Liability

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4ASchedules of Required Supplementary Information
Schedule of District Pension Contributions

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 548,751	\$ 621,495	\$ 665,237	\$ 682,068	\$ 743,938
Contributions in relation to the contractually required contribution	548,751	621,495	665,237	682,068	743,938
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,432,237	\$ 3,657,057	\$ 3,751,057	\$ 3,751,058	\$ 3,938,181
Contributions as a percentage of covered employee payroll	15.99%	16.99%	17.73%	18.18%	18.89%

Information is not available for years prior to 2014

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Schedules of Required Supplementary Information
Schedule of the District's Proportionate Share of the Net Pension Liability

Last 10 Years

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
District's proportion of the net pension liability (asset)	0.0840%	0.0842%	0.0861%	0.831%	0.816%
District' share of the net pension liability (asset)	\$ 10,717,480	\$ 11,409,260	\$ 13,164,504	\$ 24,732,798	\$ 26,374,075
District's covered employee payroll	\$ 3,432,237	\$ 3,657,057	\$ 3,751,057	\$ 3,703,786	\$ 3,938,181
District's proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	312.26%	311.98%	350.95%	667.77%	669.70%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%	59.16%	43.13%	43.96%

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

Information is not available for years prior to 2014

Notes to Required Supplementary Information

See Note 5 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedules of Required Supplementary Information
Schedule of District OPEB Contributions

Last 10 Years

	<u>2017</u>	<u>2018</u>
Contractually required contribution	\$ 37,779	\$ 40,169
Contributions in relation to the contractually required contribution	37,779	40,169
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 3,703,786	\$ 3,938,181
Contributions as a percentage of covered employee payroll	1.02%	1.02%

Information is not available for years prior to 2017

Notes to Required Supplementary Information

See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A
Schedules of Required Supplementary Information
Schedule of the District's Proportionate Share of the Net OPEB Liability

Last 10 Years

	<u>2017</u>	<u>2018</u>
District's proportion of the net OPEB liability (asset)	0.047%	0.046%
District's share of the net OPEB liability (asset)	\$ 612,188	\$ 602,275
District's covered employee payroll	\$ 3,703,786	\$ 3,938,181
District's proportionate share of the OPEB liability as a percentage of its covered employee payroll	16.53%	15.29%
Plan fiduciary net position as a percentage of the total OPEB liability	20.07%	21.25%

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

Information is not available for years prior to 2017

Notes to Required Supplementary Information

See Note 7 in the accompanying Notes to the Financial Statements for factors that significantly affect trends in the amounts reported

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Other Supplementary Information

June 30, 2018

Other supplementary information includes financial statements and schedules not required by the GASB, or a part of the basic financial statements, but are presented for purposes of additional analysis.

These statements and schedules include:

Budgetary Comparison Schedules
Capital Reserve Capital Projects Fund
Debt Service Fund
Fiduciary Fund

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
Capital Reserve Capital Projects Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 250	\$ 300	\$ 610	\$ 310
Total revenues	<u>250</u>	<u>300</u>	<u>610</u>	<u>310</u>
Expenditures				
Operations and plant maintenance				
Property				
Buildings	30,000	500,000		500,000
Student transportation				
Property				
Vehicles	82,500	90,595	51,910	38,685
Central support				
Property				
Equipment	45,000	45,000	5,013	39,987
Facilities				
Property				
Buildings			22,942	(22,942)
Appropriated reserves	30,649	19,220		19,220
Total expenditures	<u>188,149</u>	<u>654,815</u>	<u>79,865</u>	<u>574,950</u>
Other financing sources (uses)				
Transfer in (out)	122,500	609,170	555,000	(54,170)
Total other financing sources (uses)	<u>122,500</u>	<u>609,170</u>	<u>555,000</u>	<u>(54,170)</u>
Excess of revenues and other sources over (under) expenditures and other uses	<u>(65,399)</u>	<u>(45,345)</u>	<u>475,745</u>	<u>521,090</u>
Fund balance, beginning	65,399	45,345	45,345	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 521,090</u>	<u>\$ 521,090</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Fund Balances- Budget and Actual
Debt Service Fund

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Current property tax	\$ 415,290	\$ 426,414	\$ 413,184	\$ (13,230)
Earnings on investments	1,100	1,100	5,849	4,749
Delinquent tax and interest			1,357	1,357
Other			120	
Total local sources	<u>416,390</u>	<u>427,514</u>	<u>420,510</u>	<u>(7,124)</u>
Total revenues	<u>416,390</u>	<u>427,514</u>	<u>420,510</u>	<u>(7,124)</u>
Expenditures				
Supporting services				
Other uses	450	450	450	-
Debt Service				
Principal	290,000	300,000	290,000	10,000
Interest	125,940	125,938	125,938	-
Appropriated reserves	620,066	642,477		642,477
Total expenditures	<u>1,036,456</u>	<u>1,068,865</u>	<u>416,388</u>	<u>652,477</u>
Excess revenue over (under) expenditures	(620,066)	(641,351)	4,122	645,473
Fund balance, beginning	620,066	641,351	641,351	-
Fund balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 645,473</u>	<u>\$ 645,473</u>

MONTEZUMA COUNTY (DOLORES) SCHOOL DISTRICT RE-4A

Schedule of Revenues, Expenditures and Changes in
Due to Agency Recipients- Budget and Actual
Pupil Activity Agency Fund

For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 25	\$ 25	\$ 55	\$ 30
Miscellaneous	168,500	168,500	165,765	(2,735)
Total local sources	<u>168,525</u>	<u>168,525</u>	<u>165,820</u>	<u>(2,705)</u>
Total revenues	<u>168,525</u>	<u>168,525</u>	<u>165,820</u>	<u>(2,705)</u>
Expenditures				
Instruction				
School accounts	180,000	175,632	155,234	20,398
Appropriated reserves	78,484	78,484		78,484
Total expenditures	<u>258,484</u>	<u>254,116</u>	<u>155,234</u>	<u>98,882</u>
Excess of revenues over (under) expenditures	(89,959)	(85,591)	10,586	96,177
Due to Agency Recipients, beginning	89,959	85,591	85,591	-
Due to Agency Recipients, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,177</u>	<u>\$ 96,177</u>



Colorado Department of Education
Auditors Integrity Report
 District: 2055 - DOLORES RE-4A
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	3,740,268		7,010,675		6,897,343		3,853,600
18 Risk Mgmt Sub-Fund of General Fund	17,746		6,000		11,821		11,925
19 Colorado Preschool Program Fund	0		0		0		0
Sub- Total	3,758,014		7,016,675		6,909,164		3,865,525
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	39,627		250,968		239,495		51,101
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	641,351		420,510		416,388		645,473
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	45,345		555,610		79,865		521,090
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	4,484,337		8,243,763		7,644,911		5,083,188
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	85,591		165,820		155,234		96,177
79 GASB 34:Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	85,591		165,820		155,234		96,177

FINAL

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