Montrose County School District No. RE-1J

FINANCIAL STATEMENTS AND REPORTS OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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INDEPENDENT AUDITOR'S REPORT

December 20, 2018

To the Board of Education
Montrose County School District RE-1J

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Board of Education
December 20, 2018

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedules of activity – OPEB liability and contribution schedules, and schedules of activity—pension liability and contribution schedules on pages i-viii, 57-62, and the notes to the supplementary information on page 63, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The Colorado Automated Data Exchange Report, the schedule of expenditures of federal awards, and the other supplementary information as listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the Colorado Automated Data Exchange Report, the schedule of expenditures of federal awards, and the other supplementary information as listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Montrose County School District RE-1J's internal control over financial reporting and compliance.

Chadwick, Steinkirchner, Davis & Co. P.C.

MONTROSE COUNTY SCHOOL DISTRICT RE-1J
MONTROSE AND OLATHE, COLORADO

MANAGEMENT'S DISCUSSION AND ANALYSIS

As of and for the fiscal year ended June 30, 2018

As management of the Montrose County School District RE-1J, Montrose and Olathe, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here, in conjunction with additional information, that can be found in the basic financial statements.

Financial Highlights

- The liabilities and deferred inflows of the District exceeded its assets and deferred outflows at the close of the most recent fiscal year by $98.7 million (net position). This significant negative change was caused by the implementation of a change in accounting principle in a previous year required by GASB 68 that required the District to show its proportionate share of PERA's net pension liability in the government wide financial statements.
- Governmental activities have unrestricted net position of ($143.4) million. Again, the negative net position was created because of implementation of GASB 68 to show net pension liability.
- Fund balance of the District's governmental funds decreased by $11.7 million, resulting in an ending fund balance of $26.3 million. This negative change is the result of the District using voter approved bond money for the construction of the new Columbine Middle School.
- During the current fiscal year, the fund balance in the District's General Fund increased by $1,006,283. This was primarily achieved through not spending most of the rural grant funding during the 2017-18 fiscal year. This funding is scheduled to be spent on District security in the 2018-19 fiscal year.
- Not including the net pension liability, the District's long-term obligations decreased by $2.296 million by payments on existing debt totaling $1.396 million and the remaining amount on computer leases for district wide student use.

Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 3-57 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the District's Annual Financial Report a broad overview of the financial activities in a manner like a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

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

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

Both government-wide financial statements distinguish functions of the District that are supported from taxes and intergovernmental revenues (governmental activities) and other functions that are intended to recover all or most of their costs from user fees and charges (business-type activities). Governmental activities consolidate governmental funds including the General Fund, Designated Purpose Grants Fund, Capital Projects Fund, and other non-major special revenue funds. Governmental activities also include the Employee Medical Benefit Fund which is a proprietary fund. The District does not have business-type activities.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Montrose County School District RE-1J, like other governmental agencies, uses fund accounting to ensure and demonstrate compliance. The fund types presented here are governmental funds, proprietary funds and fiduciary fund.

Governmental Funds

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

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

Montrose County School District RE-1J maintains nine different governmental funds. The major funds are the General Fund, the Designated Purpose Grants Fund, and the Building Fund. They are presented separately in the fund financial statements. The remaining governmental funds, called non-major funds, are combined into a single aggregated presentation labeled other governmental funds. Non-major funds include the District's Nutritional Service Fund, the Student Activity Fund, the Fee in Lieu Fund, the Bond Redemption Fund, the Capital Lease Fund, and the Capital Projects Fund. Individual fund information for the non-major funds is presented as other supplementary information.

The District adopts an annual appropriated budget for each of the governmental funds. Budgetary comparison schedules for the General Fund, and the Designated Purpose Grants Fund are included on pages 57-58 as required supplementary information in the financial statements to demonstrate compliance with the adopted budget. The Capital Projects Fund and the remaining governmental funds budgetary comparisons are reported as other supplementary information on pages 71-77. Non-governmental fund budgetary comparisons are reported on pages 78-79.

The basic governmental fund financial statements can be found on pages 5-8 of this report.

Proprietary Funds

The District maintains one proprietary fund, which is an internal service fund. Internal service funds are used to accumulate and allocate costs internally amount the District's various functions. The District uses an internal service fund type to account for the Employee Medical Benefit activities related to the District's employees' medical insurance needs.

The basic proprietary fund financial statements are presented on pages 9-11 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because these sources of those funds are not available to support the District's direct educational programs. The accounting method used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements are presented on pages 12-13 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential for a full understanding of the data provided in the basic financial statements. The notes can be found on pages 14-56 of this report.

Required Supplementary and Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required and other supplementary information concerning the District's non-major governmental funds and schedules required as part of the Colorado Public School Finance Act. Combined and individual fund statements and schedules can be found on pages 57-79 of this report. The additional schedules required as part of the Colorado Public School Finance Act can be found on pages 90 of this report.

Government-wide Financial Analysis

Government-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These assets are available to provide resources for the near-term operations of the District. Current assets reflect the result of the property tax collection process since the District receives 50% of the annual property tax assessment in April, May and June.

Capital assets are used in the operations of the District. These assets are land, improvements, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during fiscal year 2018-2019. Long-term liabilities such as long-term debt obligations and compensated absences payable will be liquidated from resources that will become available after fiscal 2018-2019.

The liabilities and deferred inflows of the primary government activities exceed assets and deferred outflows by $98.7 million with an unrestricted balance of ($143.4 million). Total net position of the primary government does not include internal balances. The negative net position has been caused by the requirement to reflect the District's proportional share of PERA's net pension liability ($199.2 million) on the District's financial statements.

A net investment of $41.7 million in land, improvements, buildings, equipment, and vehicles that provide the services to the District's 6,260 public school students. Net position of $1,545,735 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal, and related interest payments. The legally required TABOR reserve has also been restricted.

Comparative Summary of Net Position
June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Assets:		
Current assets	$38,713,251	$50,196,039
Capital assets	$62,753,057	$40,476,324
Total Assets	$101,466,308	$90,672,363
Deferred Outflows:		
Loss on refunding	$210,432	$275,181
Deferred pension outflows	$57,561,946	$72,106,700
Total Deferred Outflows	$57,772,378	$72,381,881
Total Assets and Deferred Outflows	$159,238,686	$163,054,244
Liabilities:		
Current liabilities	$10,468,849	$9,274,858
Noncurrent liabilities	$235,488,657	$221,036,210
Total Liabilities	$245,957,506	$230,311,068
Deferred Inflows:		
Deferred pension inflow	$12,055,436	$5,458,018
Net Position:		
Net investment in capital assets	$41,724,064	$28,821,416
Restricted	$3,223,863	$3,099,561
Unrestricted	-$143,722,183	-$104,635,819
Total Net Position	-$98,774,256	-$72,714,842
Total Liabilities, Deferred Inflows and Net Position	$159,238,686	$163,054,244

Comparative Schedule of Changes in Net Position
Years ended June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Revenues:		
Program Revenues:		
Charges for services	$9,167,727	$8,955,984
Operating grants and contributions	$11,854,488	$10,088,706
Capital grants and contributions	$8,179,877	$996,929
General revenues;		
Property taxes	$13,028,384	$12,418,449
Specific ownership taxes	$1,808,121	$1,641,370
State equalization	$32,225,955	$31,297,905
Unrestricted investment earnings	$399,377	$107,489
Allocation to Charter Schools	($1,440,515)	($1,301,567)
Transfer	$0	($186,627)
Miscellaneous	($27,730)	$28,785
Total Revenues	75,195,684	64,047,423
Expenses:		
Governmental activities:		
Instruction	61,734,849	56,515,838
Supporting services:		
Students	6,630,425	6,135,943
Instruction	4,213,574	4,309,820
General administration	954,296	1,288,420
School administration	5,541,087	5,028,646
Business	1,540,390	1,249,504
Plant operation and maintenance	7,888,038	7,392,382
Student transportation	1,875,387	1,755,440
Central Services	1,625,910	1,274,295
Nutritional Services	2,019,954	1,582,457
Other	79,357	126,455
Community services	113,420	124,962
Student activities	1,675,185	1,657,524
Debt issance costs	-	156,377
Interest on long-term debt	900,924	361,727
Total Expenses	96,792,796	88,959,790
Change in Net Position	(21,597,112)	(24,912,367)
Change in accounting principle	(4,462,302)	
Net position, beginning of year (restated)	(77,177,144) *	(47,802,475)
Net Position - June 30	$(98,774,256)	$(72,714,842)

Key elements of changes in net position for governmental activities are as follows:

- State equalization aid increased by $928,050 (3.0 percent) during the fiscal year, with property taxes increasing by $609,935 (4.91 percent) during the year. The Colorado Public School Finance Act provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy. The state equalization formula includes the local property and specific ownership tax. The combined equalization, specific ownership and property taxes increased by $1,704,736 (3.62 percent). Student enrollment for the 2017-2018 school year, showed a decrease of 14 funded student full time equivalent (FTE). While the District is showing flat student growth, the student FTE is still below the benefit allowed by the state for student count averaging for District's that have/had declining enrollment. The averaging of student count contributed to a larger increase in total per pupil revenue than had the averaging not been allowed. The increase in the property taxes was due to an increase in property values from an improving economy.

- In November 2000, the voters of Colorado passed a statewide ballot issue to amend the State Constitution, Amendment 23. This amendment required that the state fund public education at a minimum of growth plus inflation plus one percent for the next ten years beginning with fiscal year 2001-2002 and thereafter at growth plus inflation. However, the State has been financially unable to fund to this required amount. Therefore, the State has implemented a Negative Factor to reflect this inability to fund the equalization amount. The negative factor reduced the District's equalization revenue by $5.54 million in fiscal year 2017-2018.

- Operating grants for governmental activities increased by $1,704,736 due to the increase in availability of private, state and federal grants.

- Capital grants and contributions for governmental activities increased by $7,182,948. Most of this increase is from the BEST Grant for the Columbine Middle School project.

- Total governmental activities expenses increased by $7.83 million. Most of that increase relates to the way pension expenses are recorded because of GASB 68. In years previous to the adoption of GASB 68, pension expense was equal to the amount the District was legally obligated to contribute at the established statutory amount. Pension expense is now calculated based on the District's share of the change in PERA NPL which includes many more factors such as changes in investment earnings that affect the NPL. PERA expenses also increased as a result of higher actual PERA payments made by the District related to a higher salary base and an increase in the blended employer contribution rate from 18.63% for fiscal year 2016-2017 to 19.13\% for fiscal year 2017-2018.

Financial Analysis of the Government's Funds

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

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

The combined general fund is the major governmental fund of Montrose County School District RE-1J and is the core of operations for the District. The combined general fund under GASB 34 reporting requirements includes the general operating fund and the insurance reserve fund. As of June 30, 2018, the combined general fund shows an ending fund balance of $10,926,396 an increase of $1,006,283 from the fund balance of $9,920,113 for the prior year.

In recap, as of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of $26.3 million, a decrease of $11.7 million in comparison with the prior year. This decrease is the result of $13.3 million decrease in the Building Fund is the result using the voter approved bond monies to build the new Columbine Middle School project; $1.00 million is the result of increase revenues and reductions in expense related items in the General Fund; ($170,079) is the result of decreasing reserves in the Nutritional Services Fund due to increased costs.; $191,602 is the result of increasing reserves in the Student Activity fund: 113,217 is the result of revenue in the Fee in Lieu Fund; ($120,328) is the result of decreasing reserves in the Bond Redemption Fund for bond payments; and $546,526 is the result of increasing reserves in the Capital Projects Fund, for future security projects.

The unassigned fund balance for the District at the end of the fiscal year consists of the unassigned balance for the General Fund of $7.68 million. The School Board took formal action in 2012 to create an emergency reserve of $3 million (see Note A(4)(k), which is a part of the $7.68 million unassigned balance. The remainder of the fund balance is either in non-spendable form (i.e. inventories), restricted, committed, or assigned to indicate that it is not available for new spending. Fund balance is restricted 1) to pay debt service ($1,545,735), and 2) restricted for TABOR amendment ($1.67 million). Fund Balance is committed 1) funds

raised for the food nutritional program ($129,684); 2) funds raised for student activities/athletics ($1,335,014); 3) to pay for capital projects ($12.046 million); 4) to liquidate employee retirement benefits ($268,224). Fund balance is assigned 1) to pay for the school-based health center ($247,716); and 2) reserved for insurance in the Insurance Fund which is a sub-fund of the General Fund ($909,493).

General Fund Budgetary Highlights

Montrose County School District RE-1J began budget development for the 2017-2018 fiscal year in December 2016 with discussions related to labor negotiations as well as the impact of Amendment 23.

A 2016-2017 mid-year analysis was completed in February 2017 established the base of expenditure assumptions for 2017-2018. After reviewing enrollment projections and the most current revenue assumptions, the Superintendent and his senior staff prepared a preliminary budget plan by prioritizing the needs of the District. The Proposed Budget was informally presented to the Board of Education on May 30, 2017 and formally presented and adopted at the June 27, 2017 Board meeting.

The final phase of budget development was the review for possible modification of the June budget based on revenue adjustments due to the October count for pupil enrollment. This revised budget normally is submitted and approved by the Board at the January meeting. It was determined that an amended budget was required at that time.

The District's budget development process is consistent with current Colorado statutes that require a proposed budget be presented to Boards of Education on or before June 1, with budget adoption by June 30. The law provides for school boards to adjust revenues and expenditures through January 31 of each fiscal year.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2018 amounts to $62,753,057 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The total increase in the District's investment in capital assets for the current fiscal year was $22,276,733, or a 55% increase for governmental activities.

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

- Columbine Middle School construction project
- Computers were financed through a Lease Purchase with Apple, Inc.

Montrose County School District RE-1J
Capital Assets (net of accumulated depreciation)
June 30, 2018 and 2017

	Governmental Activities	
	2018	2017
Land	$1,538,075	$1,538,075
Construction in Progress	24,981,048	3,313,211
Improvements	4,392,778	4,856,174
Buildings	29,919,865	28,667,441
Equipment	1,921,291	2,101,423
Total Capital Assets	$ 62,753,057	$ 40,476,324

Additional information on the District's capital assets can be found in Note F on pages 29-30.

At June 30, 2018, the District had total bonded debt outstanding of $27,127,746, backed by the full faith and credit of the District. The District has debt outstanding for capital lease agreements in the amount of $2,886,356. Additionally, the District has compensated absences payable for $1531,929, and retirement bonus benefits payable of $107,043.

General obligation Bonds, Employee Benefits, and Capital Leases
June 30, 2018 and 2017

	Governmental Activities	
	2018	**2017**
General Obligation Bonds	$27,127,746	$28,524,281
Qualified Zone Academy Bonds	-	-
2012 Lease Purchase Agreement	2,394,411	2,586,273
2016 Apple Lease Agreement	491,945	731,095
2017 Apple Lease Agreement	-	480,164
Compensated absences	1,531,929	1,487,903
Retirement Bonus benefits	107,043	140,105
Total long-term obligations	$ 31,653,074	$ 33,949,821

Additional information on the District's long-term obligations can be found in Note G on pages 30-34 of this report.

Economic Factors and Next Year's Budget and Rates

For 2018-2019, the inflation rate continues to be around 2.3 percent. The District budgeted for $8,812 State per-pupil funding, which is an increase of 3.6 percent over the 2017-2018 funding. This increase will provide an additional $307 per full time student to the District in fiscal year 2018-2019. However, the state established a Negative Factor in the amount of 8.6% of total program funding ($4,536,083). This negative factor has been budgeted as a reduction in State revenue for the 2018-2019 fiscal year.

The District is committed to an ongoing review of its programs and services for both effectiveness and efficiency. To accomplish this, the District examines how to best provide essential services on a cost-effective basis. In addition, the focus for the past year and the upcoming year is to re-direct resources towards the Board's goal of increasing student achievement. In addition, due to the Federal and State of Colorado's continuing financial stress, with projected shortfalls directly impacting the District's financial resources, the District has

- Continued to evaluate all staff positions to facilitate cost savings while maintaining educational programs and increasing student achievement.
- Continued to actively seek out capital grants for District facilities.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Passage Charter closed their doors on June 30, 2018, their finial financial report, a component unit which has separately issued financial statements, can be obtained by contacting Montrose County School District at (970) 249-7726. The financial report for Vista Charter School, a component unit which has separately issued financial statements, can be obtained by contacting the school at (970) 249-4470. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Adam Rogers, Director of Finance
Montrose County School District RE-1J
930 Colorado Avenue
PO Box 10,000
Montrose, Colorado 81402
adam.rogers@mcsd.org

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION

June 30, 2018

	Primary Government	Component Unit
	Governmental Activities	Vista Charter School
ASSETS		
Cash and cash equivalents	$ 13,882,476	$ 880,453
Investments	17,252,615	1,691,471
Receivables		
Taxes	759,350	-
Accounts	572,568	-
Intergovernmental	5,855,518	29,636
Due from primary government	-	24,972
Due from component units	43,192	-
Due from fiduciary fund	-	-
Inventories	298,858	-
Prepaid expenses	48,674	21,000
Capital assets		
Nondepreciable	26,519,123	595,320
Depreciable, net of accumulated depreciation	36,233,934	4,529,186
Total assets	101,466,308	7,772,038
DEFERRED OUTFLOWS		
Loss on refunding, current portion	64,749	-
Loss on refunding, long-term portion	145,683	-
Deferred outflows related to other post employment benefits	170,331	4,582
Deferred outflows related to pension	57,391,615	1,541,662
Total deferred outflows	57,772,378	1,546,244
LIABILITIES		
Accounts payable	3,327,862	3,411
Accrued salaries and benefits	5,234,320	137,891
Due to primary government	-	-
Due to component units	68,164	-
Claims payable	833,707	-
Accrued interest payable	96,036	-
Unearned revenue	908,760	25,010
Noncurrent liabilities		
Due within one year	2,012,672	-
General obligation bonds	25,846,211	-
Capital lease agreements	2,439,198	-
Compensated absences payable	1,287,500	-
Retirement benefits	67,493	-
Net other post employment benefits liability	4,603,451	122,440
Net pension liability	199,232,132	5,353,218
Total liabilities	245,957,506	5,641,970
DEFERRED INFLOWS		
Deferred inflows related to other post employment benefits	7,956,366	3,505
Deferred inflows related to pension	4,099,070	264,191
Total deferred inflows	12,055,436	267,696
NET POSITION		
Net investment in capital assets	41,724,064	5,124,506
Restricted		
Emergencies	1,678,128	43,709
Debt service	1,545,735	-
Capital renewal	-	40,000
Unrestricted	(143,722,183)	(1,799,599)
Total net position	$ (98,774,256)	$ 3,408,616

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

Montrose County School District No. RE - 1J

STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Functions/Programs	Expenses	Program revenue: Charges for Services and Sales	Program revenue: Operating Grants and Contributions	Program revenue: Capital Grants and Contributions	Net expenses (revenues) and changes in net position: Primary government: Governmental Activities	Net expenses (revenues) and changes in net position: Component unit: Vista Charter School
Primary government:						
Governmental activities						
Instruction	$ 61,734,849	$ 6,664,607	$ 6,639,330	$ -	$ (48,430,912)	$ (2,265,872)
Support services						
Students	6,630,425	130,955	1,758,791	-	(4,740,679)	(74,712)
Instructional staff	4,213,574	(1,431)	1,742,400	-	(2,472,605)	(177,756)
General administration	954,296	-	-	-	(954,296)	(104,750)
School administration	5,541,087	-	-	-	(5,541,087)	(126,715)
Business	1,540,390	-	-	-	(1,540,390)	-
Operations and maintenance	7,888,038	4,480	11,621	8,179,877	307,940	(61,695)
Student transportation	1,875,387	35,566	350,347	-	(1,489,474)	-
Central	1,625,910	-	-	-	(1,625,910)	(6,875)
Nutritional	2,019,954	336,767	1,344,137		(339,050)	-
Other	79,357	59,843	-	-	(19,514)	-
Community services	113,420	14,005	5,429	-	(93,986)	-
Student activities	1,675,185	1,922,935	2,433	-	250,183	-
Interest on long-term debt	900,925	-	-	-	(900,925)	-
Total governmental activities	96,792,796	9,167,727	11,854,488	8,179,877	(67,590,704)	(2,818,375)
Total primary government	$ 96,792,796	$ 9,167,727	$ 11,854,488	$ 8,179,877	(67,590,704)	
Component units						
Vista Charter School	2,073,073	139,523	96,270	41,423		
Total component units	$ 2,073,073	$ 139,523	$ 96,270	$ 41,423		
General Revenue						
Property taxes					13,028,384	-
Specific ownership taxes					1,808,121	-
State equalization					30,785,440	1,456,084
Unrestricted investment earnings					399,377	11,105
Miscellaneous					(27,730)	-
Total general revenues and allocations					45,993,592	1,467,189
Change in net position					(21,597,112)	(1,351,186)
Net position, beginning of year					(72,714,842)	4,854,686
Change in accounting principle					(4,462,302)	(94,884)
Beginning net position, restated					(77,177,144)	4,759,802
Net position, end of year					$ (98,774,256)	$ 3,408,616

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

Montrose County School District No. RE - 1J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2018

	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	$ 8,167,310	$ 13,990	$ 331,480	$ 4,288,664	$ 12,801,444
Investments	5,303,850	27,868	7,921,732	1,191,356	14,444,806
Receivables					
Taxes	759,350	-	-	-	759,350
Accounts	8,446	-	-	457,744	466,190
Intergovernmental	702,736	1,923,335	3,229,448	-	5,855,519
Prepaid expense				48,674	48,674
Due from component units	43,192	-	-	-	43,192
Due from other funds	1,285,045	82,096	-	104	1,367,245
Inventories	143,899	-	-	154,959	298,858
Total assets	$ 16,413,828	$ 2,047,289	$ 11,482,660	$ 6,141,501	$ 36,085,278
Liabilities and fund balances					
Liabilities					
Accounts payable	$ 352,043	$ 29,702	$ 1,830,763	$ 3,684	$ 2,216,192
Due to component units	48,164	20,000	-	-	68,164
Due to other funds	82,750	1,074,578	-	209,917	1,367,245
Accrued salaries and benefits	4,524,145	586,984	-	123,191	5,234,320
Unearned revenue	-	336,025	-	24,430	360,455
Total liabilities	5,007,102	2,047,289	1,830,763	361,222	9,246,376
Deferred inflows of resources					
Unavailable property tax revenues	130,330	-	-	29,640	159,970
Unavailable transportation revenues	350,000	-	-	-	350,000
Total deferred inflows of resources	480,330	-	-	29,640	509,970
Fund balances					
Non-spendable					
Prepaids	-	-	-	48,674	48,674
Inventories	143,899	-	-	154,959	298,858
Restricted					
Emergency reserve - TABOR	1,678,128	-	-	-	1,678,128
Debt service	-	-	-	1,545,735	1,545,735
Committed					
Debt service	-	-	-	142,313	142,313
Nutritional service	-	-	-	129,684	129,684
Student activities	-	-	-	1,335,014	1,335,014
Capital projects	-	-	9,651,897	2,394,260	12,046,157
Retirement	268,224	-	-	-	268,224
Assigned					
School based health centers	247,716	-	-	-	247,716
Insurance	909,493	-	-	-	909,493
Unassigned	7,678,936	-	-	-	7,678,936
Total fund balances	10,926,396	-	9,651,897	5,750,639	26,328,932
Total liabilities, deferred inflows of resources, and fund balances	$ 16,413,828	$ 2,047,289	$ 11,482,660	$ 6,141,501	$ 36,085,278

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

Montrose County School District No. RE - 1J

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

June 30, 2018

Total governmental funds balance		$ 26,328,932
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Cost of capital assets	$ 106,455,124	
Less accumulated depreciation	(43,702,067)	62,753,057
Receivables that are not available soon enough to pay for the current year's expenditures are deferred in the funds.		509,970
Internal service funds are used by the District to account for the costs of employee medical benefit activities. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.		2,605,587
Items related to pensions are considered to be long term items and are therefore not reported in the funds.		
Net pension liability	(199,232,132)	
Net OPEB liability	(4,603,451)	
Deferred outflows related to pension and OPEB	57,561,946	
Deferred inflows related to pension and OPEB	(12,055,437)	(158,329,074)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the fund. Long term liabilities at year-end consist of:		
General obligation bonds	(23,955,000)	
Premiums on general obligation bonds	(3,172,746)	
Capital lease agreements	(2,886,356)	
Compensated absences	(1,531,929)	
Retainage payable	(1,104,050)	
Retirement benefits payable	(107,043)	(32,757,124)
Losses on refunding are reported in the fund when first issued, but deferred and amortized in government-wide.		210,432
Accrued interest payable is recognized in the government-wide statements, but is not due and payable within the current period and therefore is not reported in the funds.		(96,036)
Net position of governmental activities		$ (98,774,256)

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

Montrose County School District No. RE - 1J

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2018

	General Fund	Designated Purpose Grants Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	$ 12,994,945	$ 357,092	$ 255,210	$ 4,203,264	$ 17,810,511
Intermediate sources	263,430	-	-	113,692	377,122
State sources	33,875,264	1,319,486	8,067,296	30,189	43,292,235
Federal sources	539,950	5,016,986	-	1,458,256	7,015,192
Total revenues	47,673,589	6,693,564	8,322,506	5,805,401	68,495,060
Expenditures					
Current:					
Instructional	26,396,172	3,753,354	-	-	30,149,526
Supporting services	17,330,970	2,367,772	-	-	19,698,742
Community services	-	113,420	-	-	113,420
Student activities	-	-	-	1,675,185	1,675,185
Nutritional services	-	-	-	2,007,463	2,007,463
Operations and maintenance	-	-	4,000	-	4,000
Capital outlay	12,164	459,018	21,833,132	1,025,821	23,330,135
Debt service					
Principal	-	-	-	2,645,930	2,645,930
Interest & Fees	-	-	-	718,003	718,003
Total expenditures	43,739,306	6,693,564	21,837,132	8,072,402	80,342,404
Excess (deficiency) of revenues over (under) expenditures	3,934,283	-	(13,514,626)	(2,267,001)	(11,847,344)
Other financing sources (uses)					
Proceeds from sale of assets	-	-	-	50	50
Capital lease proceeds				102,987	102,987
Transfers from other funds	815,000	-	200,000	2,728,000	3,743,000
Transfers to other funds	(3,743,000)	-	-	-	(3,743,000)
Total other financing sources (uses)	(2,928,000)	-	200,000	2,831,037	103,037
Change in fund balance	1,006,283	-	(13,314,626)	564,036	(11,744,307)
Fund balance, beginning of year	9,920,113	-	22,966,523	5,186,603	38,073,239
Fund balance, end of year	$ 10,926,396	$ -	$ 9,651,897	$ 5,750,639	$ 26,328,932

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

Montrose County School District No. RE - 1J

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds		$ (11,744,307)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	$ 23,413,863	
Depreciation expense	(2,344,167)	21,069,696
Some receivables will not be collected for several months after the District's fiscal year ends and are therefore not considered available revenues and are shown as deferred in the governmental funds. This is the amount by which the related deferred inflows decreased.		24,587
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore are not reported as expenditures in the governmental funds:		
Pension and OPEB expense	(33,429,065)	
Increase in compensated absences payable	22,095	
Decrease in retirement benefits payable	(33,062)	(33,440,032)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		1,974,163
Accrued interest payable is recognized for governmental activities, but is not due and payable in the current period, and therefore is not reported as a liability in the governmental funds. This is the amount that accrued interest increased.		14,125
Premiums and debt issuance costs on previously-issued bonds are amortized in the statement of activities.		
Amortization of bond premium		436,535
Amortization of loss on refunding		(64,749)
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		132,870
Change in net position of governmental activities		$ (21,597,112)

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

Montrose County School District No. RE - 1J

STATEMENT OF NET POSITION - PROPRIETARY FUND

June 30, 2018

		Governmental Activities - Internal Service Fund
ASSETS		
Current assets		
Cash and cash equivalents		$ 1,081,032
Investments		2,807,809
Accounts receivable		106,378
	Total assets	3,995,219
LIABILITIES		
Current liabilities		
Accounts payable		7,620
Claims payable		833,707
Unearned revenue		548,305
	Total liabilities	1,389,632
NET POSITION		
Unrestricted		2,605,587
	Total net position	$ 2,605,587

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

Montrose County School District No. RE - 1J

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION - PROPRIETARY FUND

Year ended June 30, 2018

		Governmental Activities - Internal Service Fund
Operating revenues		
Premiums		$ 6,632,041
	Total operating revenues	6,632,041
Operating expenses		
Purchased services		621,955
Claims		5,921,114
	Total operating expenses	6,543,069
Operating income (loss)		88,972
Non-operating revenues		
Interest income		43,898
	Total non-operating revenue	43,898
Change in net position		132,870
Net position, beginning of year		2,472,717
Net position, end of year		$ 2,605,587

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

Montrose County School District No. RE - 1J

STATEMENT OF CASH FLOWS - PROPRIETARY FUND

Year ended June 30, 2018

	Governmental Activities - Internal Service Fund
Cash flows from operating activities	
Cash received from insurance premiums	$ 6,562,683
Cash paid to suppliers	(622,032)
Cash paid for insurance claims	(5,652,440)
Net cash provided by operating activities	288,211
Cash flows from investing activities	
Purchase of investments	(43,029)
Interest income	43,898
Net cash (used in) investing activities	869
Net increase (decrease) in cash and cash equivalents	289,080
Cash and cash equivalents, beginning of year	791,952
Cash and cash equivalents, end of year	$ 1,081,032
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	$ 88,972
Adjustment to reconcile net operating income (loss) to net cash provided (used) by operating activites	
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(88,116)
Increase(decrease) in accounts payable	(77)
Increase (decrease) in claims payable	268,674
Increase (decrease) in unearned revenue	18,758
Total adjustments	199,239
Net cash used by operating activities	$ 288,211

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

Montrose County School District No. RE - 1J

STATEMENT OF FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS

June 30, 2018

ASSETS		
Cash	$	54,451
Investments		1,283,108
Rental property		10,000
Total assets		1,347,559
LIABILITIES		
Scholarships payable		170,661
Total liabilities		170,661
NET POSITION		
Permanently restricted		885,400
Restricted for scholarships		291,498
Total net position	$	1,176,898

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

Montrose County School District No. RE - 1J

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
SCHOLARSHIP TRUST FUNDS

Year ended June 30, 2018

Additions		
Earnings on deposits and investments	$	10,801
Contributions		20,251
Rental income		9,600
Total additions		40,652
Deductions		
Scholarships awarded		(3,856)
General and administrative		10,805
Total deductions		6,949
Change in net position		33,703
Net position, beginning of year		1,143,195
Net position, end of year	$	1,176,898

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Montrose County School District No. RE-1J (District) have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) as applied to governmental units and the Financial Policies and Procedures Handbook as prescribed by Colorado State law. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In addition, the District conforms to the Colorado Department of Education (CDE) Financial Policies and Procedures Handbook in all material respects required by Colorado Statutes. The District's more significant accounting policies are described below.

1. Reporting Entity

   The District is a public school district organized under the laws of the State of Colorado and includes portions of Montrose, Gunnison, and Ouray Counties. The District is governed by an elected seven-member Board of Education.

   The Legislature of the State of Colorado enacted the "Charter School Act – Colorado Revised Statutes (CRS) Section 22-30.5-101" in 1993. This Act permits the District to contract with individuals and organization for the operation of schools within the District. The statutes define these contracted schools as "charter schools". Charter schools are financed from a portion of the District's School Finance Act revenues and from revenues generated by the charter schools, within the limits established by the Charter School Act. Charter schools have separate governing boards; however, the District's Board of Education must approve all charter school applications and budgets. Based on criteria set forth in GASB Statement No. 61, *The Financial Reporting Entity*: *Omnibus an amendment of GASB Statements No. 14 and No. 34*, Vista Charter School has been included in the District's basic financial statements in a separate column, as a discretely presented component unit.

   Vista Charter School consists of an alternative high school and expulsion/intervention/prevention program. The charter school contracts with the District for payment of salaries, payroll costs, and other accounting services.

   Complete financial statements of Vista Charter School can be obtained from the administrative offices of the District or from Vista Charter School at 1810 St. Mary's Dr., Montrose, CO 81401 or by calling (970) 249-4470.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from its legally separate *component units* for which the District is financially accountable.

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

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. District resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent, and the means by which spending activities are controlled.

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

The District reports the following major governmental funds:

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

- The *Designated Purpose Grants Fund* accounts for revenues and expenditures of local, state and federal grants.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

2. Government-Wide and Fund Financial Statements - Continued

    - The *Building Fund* accumulates resources to be used for construction of large projects and large repairs to District facilities.

    The remaining governmental funds are aggregated and presented as non-major funds. Those funds include the Nutritional Services Fund, the Student Activity Fund, the Fee-in-Lieu Fund, the Bond Fund, the Capital Lease Fund, and the Capital Projects Fund. The Nutritional Services Fund accounts for activities of the District's school breakfast and lunch programs. The Student Activity Fund accounts for resources restricted by Colorado Revised Statutes (CRS) for student activities, such as school and athletic fees. The Fee-in-Lieu Fund accounts for monies received from new developments and is used for future capital projects. The Capital Lease and Bond Funds account for the payment of principal and interest on long-term debt of the District. The Capital Projects Fund accumulates resources to be used for capital purchases and repairs.

    Internal Service Funds account for operations undertaken by District Staff that primarily support the District and/or its employees. The District's only internal service fund is the Employee Medical Benefit Fund which services the District's self-funded medical insurance program.

    Fiduciary funds are used to account for funds held by the District in a trustee capacity for others. The District's only fiduciary fund is the Scholarship Trust Fund, which accounts for scholarship funds held by the District in a trustee capacity.

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

3. Measurement Focus, Basis of Accounting, and Basis of Presentation - Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities in the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are generally recorded when the related fund liability is incurred, as under accrual accounting. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due, and compensated absences and retirement benefits, which are recognized when the obligations are expected to be liquidated with expendable available resources. Entitlement revenues are not susceptible to accrual because generally they are not measurable until received. Grant revenues are recognized as they are earned.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual, and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities*, as reported in the government-wide statement of net position. Additionally, the governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total governmental funds* and *changes in net position of governmental activities*, as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis of accounting were eliminated from the governmental fund statements during the consolidation of governmental activities.

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity

a. Deposits and Investments

For the purpose of the statement of cash flows, the District considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

Investments in external investment pools are stated at cost, which is equal to fair value. All other investments are stated at fair value based on quoted market prices.

b. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund receivables/payables within governmental activities are eliminated in the statement of net position.

Property taxes are levied in December and attach as a lien on property the following January 1. They are payable in full by April 30, or in two equal installments due February 28 and June 15. Property taxes previously levied and collected in the following year are reported as a receivable at June 30, net of an estimated uncollectible portion. The portion of the property taxes receivable and transportation revenues receivable not collected within 60 days after June 30 is recorded as deferred inflow of resources, since such tax collections are not available to pay liabilities of the fiscal year ended June 30.

c. Inventories

Inventories are considered expenditures when used and are stated at cost, on a first-in/first-out (FIFO) method. USDA commodities are valued at the purchase price of like items.

d. Prepayments and Deposits

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

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

e. Capital Assets

Capital assets, which include land, buildings and improvements, vehicles, and equipment, are used for general District operations and are capitalized at actual cost or estimated cost. Donations of such assets are recorded at their estimated fair value at the date of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets. The capitalization threshold of assets is $5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets.

Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Estimated useful lives are as follows:

Assets	Years
Buildings	40
Improvements	20
Vehicle and Equipment	5 – 15

f. Deferred Outflows

Deferred outflows consist of (1) loss-on-refunding costs that are amortized on the straight-line method over the term of the related debt and (2) pension and OPEB amounts paid to PERA in the current calendar year that were made subsequent to PERA's measurement date and other collective pension and OPEB amounts attributable to the District.

g. Compensated Absences

It is the District's policy to permit employees to accumulate earned, but unused, vacation and sick pay benefits. In the government-wide financial statements, vacation and sick pay are accrued when incurred and reported as a liability and an expense. A liability for these amounts is reported in the governmental funds only if they have matured, such as that resulting from employee resignations or retirements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows, and Equity - Continued

h. Accrued Salaries

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

i. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method of amortization.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. The District entered into a custody agreement with American National Bank to administer its Debt Service Fund. The long-term compensated absences and retirement benefit liabilities are serviced from revenues of the General Fund from future appropriations.

j. Deferred Inflows

Deferred inflows consist of the District's proportionate share of PERA's collective deferred pension inflows and other collective pension amounts attributable to the District.

k. Fund Balance/Net Position

Under GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* in the fund financial statements, governmental funds report the following classifications of fund balance:

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows and Equity - Continued

Non-spendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to resolutions passed by the Board of Education, the District's highest level of decision-making authority. Commitments may be modified or rescinded only through resolutions approved by the Board of Education.

Assigned – includes amounts the District intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the District's adopted policy, amounts may be assigned by the Superintendent or designee.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed, or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed.

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

The permanently restricted net position of the Scholarship Trust Funds represents assets subject to donor-imposed stipulations that they be maintained permanently by the District. Generally the donors of such assets permit the District to use the income earned on the assets for the District's scholarship awards.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

4. Assets, Liabilities, Deferred Outflows, Deferred Inflows and Equity - Continued

   In March 2012 the District's Board of Education passed a resolution to maintain a fiscal year-end fund balance as an operating reserve in the General Fund of $3,000,000. The Board resolved that the funds will be used only for an unexpected loss of revenue or an extraordinary expenditure. Expenditure of any of these funds requires prior Board approval. This amount is part of the General Fund's unassigned fund balance.

5. State Equalization Aid

   State equalization aid is revenue received from the State of Colorado computed in accordance with a funding formula as defined by State statute. The funding formula considers such factors as pupil enrollment and other revenue sources.

6. Pensions

   For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement Association (PERA) Pension Plan and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

7. Other Post Employment Benefits (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 outflow 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 the health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

8. Estimates

   The preparation of financial statements, in accordance with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses. Actual results could differ from these estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

NOTE B – BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements for its fiscal year ending June 30:

- The District adopts budgets for all funds.
- The proposed budget for the following fiscal year is submitted to the Board of Education on or before June 1 for its consideration.
- By June 30, the budget is adopted and appropriations are made by formal resolution.
- Budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for proprietary and trust funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.
- Appropriations lapse at the end of each fiscal year.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. The Board of Education may adopt supplemental appropriations during the year. Budget amounts included in the financial statements are based on the final, legally amended budget.

Originally adopted budgets, amendments and final amended budgeted expenditures for the year ended June 30, 2018 are as follows:

	Original Budget	Supplemental	Final Budget
General Fund	$ 49,291,497	$ (38,497)	$ 49,253,000
Insurance Reserve Fund	815,000	24,175	839,175
Special Revenue Funds:			
Nutritional Service Fund	1,523,000	638,300	2,161,300
Designated Grants Fund	5,147,100	1,546,464	6,693,564
Student Activity Fund	1,900,000	(111,843)	1,788,157
Fee-In-Lieu Fund	–	–	–
Bond Redemption Fund	2,088,238	(498)	2,087,740
Capital Lease	672,277	605,001	1,277,278
Building Fund	33,511,000	–	33,511,000
Capital Projects Fund	1,285,000	310,755	1,595,755
Employee Medical Benefit Internal Service Fund	6,819,920	2,999,990	9,819,910
Scholarship Trust Fund	57,000	(16,000)	41,000
Total	$ 103,110,032	$ 5,957,847	$ 109,067,879

NOTE B – BUDGETARY INFORMATION – CONTINUED

Following is a summary of the Charter School's budget and actual expenditures for the year ended June 30, 2018:

	Vista
Actual Expenditures (Budgetary Basis)	$ 1,379,219
Budgeted Expenditures	1,222,015
Variance – Favorable (Unfavorable)	$ (157,204)

Actual Vista Charter School general fund expenditures of $1,379,219 exceeded final appropriated funds of $1,222,015 by $157,204 which is contrary to Colorado State Statute.

NOTE C – TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, Colorado voters passed an amendment to Article X, Section 20 (TABOR), of the State Constitution, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments, including an emergency reserve to be maintained at 3% of fiscal year spending (excluding bonded debt service). On November 5, 1996, the District electors approved the retention and spending of the District's non-tax revenues for the year ended June 30, 1996, and subsequent years, without regard to the limitations imposed by the Amendment. The District believes it is in compliance with the requirements of the Amendment. The amount restricted in the General Fund at June 30, 2018 for TABOR is $1,678,128. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE D – DEPOSITS AND INVESTMENTS

1. Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The State Regulatory Commissions for banks and savings and loan 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. The District does not have a formal deposit policy.

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

At June 30, 2018, the carrying amount of the District's deposits was $13,528,457 and the bank balance was $16,662,544. Of that balance $1,001,703 was covered by FDIC insurance and $15,660,841 was collateralized.

2. Investments

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

Interest rate risk: The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Colorado statutes do not allow investment maturities to exceed five years.

Credit risk: Colorado statutes specify investment instruments meeting defined rating and risk criteria in which Colorado school districts may invest, which include:

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

The District's investment policy is to apply the "prudent investor" rule, which states "investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculations, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

Concentration of Credit Risk: The District places no limit on the amount the District may invest in any one issuer. More than five percent of the District's investments are in investments guaranteed by the United States government.

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

2. Investments - Continued

The District has investments in a local government investment pool: the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. COLOTRUST 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, Section 6. COLOTRUST is rated AAAm from Standard and Poor's. Financial statements for COLOTRUST may be obtained at www.colotrust.com. Investments held in money market funds are not rated.

The District categorizes its fair value measurements within the fair value hierarchy established by GAAP. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at $1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair market value.

The composition, including level under the GASB 72 fair value hierarchy, where applicable, of all cash and investments held by the District as of June 30, 2018 is as follows:

		Investment Maturities (in Years)	
	Fair Value	Less Than One	One to Five
Interest Bearing Accounts with Brokers	$ 516,286	$ 516,286	$ –
Money Market Funds with Brokers	1,371,913	1,371,913	–
COLOTRUST, AA+ Rated	13,979,122	13,979,122	–
Negotiable Certificate of Deposit	1,794,312	498,641	1,295,671
Government Bonds, AA+ Rated (Level 2)	874,090	472,651	401,439
Total Investments	$ 18,535,723	$ 16,838,613	$ 1,697,110

NOTE D – DEPOSITS AND INVESTMENTS – CONTINUED

Cash and investments on June 30, 2018, are as follows:

Cash on Hand	$ 1,494
Deposits	13,935,433
Investments	18,535,723
Total Cash and Investments	$ 32,472,650
Statement of Net Position:	
Cash	$ 13,882,476
Investments	17,252,615
Total	31,135,091
Statement of Fiduciary Net Position:	
Cash	54,451
Investments	1,283,108
Total	1,337,559
Total Cash and Investments	$ 32,472,650

Cash and investments of the charter schools consist of the following as of June 30, 2018:

	Vista
Deposits:	
Carrying Amount	$ 880,453
Bank Balances	1,815,583
Insured	(1,178,242)
Collateralized	$ 637,341
Investments:	
Certificates of Deposit	$ 928,242
COLOTRUST	763,229
Total Investments	$ 1,691,471

NOTE E – INTERFUND BALANCES AND TRANSFERS

Outstanding interfund receivables and payables result mainly from the lag time between the dates payments between funds are made and borrowings from the pooled cash account. Therefore, all amounts are expected to be repaid within one year. Interfund receivables and payables consist of the following:

NOTE E – INTERFUND BALANCES AND TRANSFERS – CONTINUED

Fund	Due From	Due To
General Fund	$ 1,284,518	$ 82,200
Insurance Reserve Fund	527	550
Nutrition Services Fund	–	1,650
Special Grants Fund	82,096	1,074,578
Student Activities Fund	104	–
Capital Lease Fund	–	166,471
Capital Projects Fund	–	41,796
Total	$ 1,367,245	$ 1,367,245

Amounts due from component units to the District are as follows:

Fund	Due From	Due To
General Fund	$ 43,192	$ 48,164
Special Grants Fund	–	20,000
Vista Charter School	68,164	43,192
Total	$ 111,356	$ 111,356

Inter-fund transfers are used to move unrestricted revenues of various funds to other funds to provide subsidies, funds for various projects, and to meet legal obligations. Interfund transfers consist of the following:

	Transfers In	Transfers Out
General Fund	$ –	$ 3,743,000
Insurance Reserve Fund	815,000	–
Building Fund	200,000	–
Capital Projects Fund	1,450,000	–
Capital Lease Fund	1,278,000	–
Total	$ 3,743,000	$ 3,743,000

NOTE F – CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2018:

Governmental Activities:	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Non-depreciable:				
Land	$ 1,538,075	$ –	$ –	$ 1,538,075
Construction in Progress	3,313,211	24,101,351	(2,433,514)	24,981,048
Total non-depreciable capital assets	4,851,286	24,101,351	(2,433,514)	26,519,123
Depreciable capital assets:				
Improvements	8,298,926	–	–	8,298,926
Buildings	61,940,631	2,480,533		64,421,164
Equipment	6,743,380	472,531	–	7,215,911
Total depreciable capital assets	76,982,937	2,953,064		79,936,001
Accumulated depreciation:				
Improvements	(3,442,752)	(463,396)	–	(3,906,148)
Buildings	(33,273,190)	(1,228,109)		(34,501,299)
Equipment	(4,641,957)	(652,663)	–	(5,294,620)
Total accumulated depreciation	(41,357,899)	(2,344,168)		(43,702,067)
Net depreciable capital assets	35,625,038	608,896	–	36,233,934
Total net capital assets	$ 40,476,324	$ 24,710,247	$ (2,433,514)	$ 62,753,057
Vista:				
Land	$ 595,320	$ –	$ –	$ 595,320
Total non-depreciable capital assets	595,320	–	–	595,320
Building	5,189,437	18,601	–	5,208,038
Equipment and vehicles	126,287	5,484	–	131,771
Accumulated depreciation	(663,397)	(147,226)	–	(810,623)
Net depreciable capital assets	4,652,327	(123,141)	–	4,529,186
Net non-depreciable and depreciable capital assets	$ 5,247,647	$ (123,141)	$ –	$ 5,124,506

NOTE F – CAPITAL ASSETS – CONTINUED

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

Depreciation charges to programs	
Governmental Activities:	
Instruction	$ 2,074,073
Supporting Services:	
Students	156,848
General Administration	41,302
School Administration	12,573
Business	13,550
Plant Operations and Maintenance	33,331
Nutritional Services	12,491
Total	$ 2,344,168
Charter Schools:	
Vista Charter School	$ 147,226

NOTE G – LONG-TERM OBLIGATIONS

1. General Obligation Bonds

The District issued general obligation bonds, Series 2002, in the amount of $9,500,000, and a supplemental interest stripped "B" coupon, in the amount of $230,610, dated December 1, 2002, and general obligation bonds, Series 2003, in the amount of $1,500,000, and a supplemental interest stripped "B" coupon, in the amount of $58,984, dated January 15, 2003. The indebtedness was approved by the electorate on November 5, 2002 to fund capital improvements. This indebtedness was refunded in fiscal year 2012.

The District issued general obligation refunding bonds, Series 2011, with a par balance of $6,545,000 and a premium of $707,876. These bonds are dated September 29, 2011 and were issued to refund the callable portions of the general obligation bonds Series 2002 and Series 2003. The bonds carry a variable interest rate ranging from 2.00% to 4.00% and mature on December 1, 2022. Principal and interest payments are made semiannually in June and December. The district received an upgrade from "no underlying rating" for the 2002 and 2003 bonds, to an underlying rating of "Aa3" for the Series 2011 bonds by Moody's.

The refunding reduced total debt service payments over the next 10 years by $730,329. This resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $657,751 for the year ended June 30, 2012.

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

On January 24, 2017 the District issued general obligation bonds, Series 2017, with a par value of $20,775,000 and a premium of $3,397,906. These bonds were issued to construct, repair, and improve District capital assets. The bonds carry a variable interest rate ranging from 2.00% to 5.00% and mature on December 1, 2036. Principal and interest payments are made semiannually in June and December. The District has an underlying rating by Moody's of "Aa3" for the 2017 bonds.

Debt service requirements to maturity on general obligation bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	845,000	1,096,938	1,941,938
2020	875,000	1,065,538	1,940,538
2021	910,000	1,031,863	1,941,863
2022	945,000	996,863	1,941,863
2023	980,000	960,563	1,940,563
2023-2027	5,490,000	4,173,544	9,663,544
2028-2032	6,970,000	2,640,500	9,610,500
2033-2037	6,940,000	715,250	7,655,250
Total	$ 23,955,000	$ 12,681,059	$ 36,636,059

2. Lease Purchase Agreements

On December 11, 2012 the District entered into a lease-purchase agreement with All American Investment Group, LLC, with the purpose of performing energy-efficiency upgrades to electrical, mechanical, plumbing, and other selected systems in certain buildings and properties throughout the District. The lease agreement has been designated as a "Qualified Tax-Exempt Obligation" for the purpose and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The total original principal amount of the contract was $3,375,505, with a contract interest rate of 2.40% per annum. Payments, which include both principal and interest, occur at six-month intervals. Payments during fiscal year 2018 totaled $252,809. Of that total, $191,862 was principal, and $60,947 was interest.

On December 29, 2015, the District entered into a lease-purchase agreement with Apple Financial Services to lease tablets. The total original principal amount of the contract was $1,074,813, with a contract interest rate of 1.88% per annum. Payments during fiscal year 2018 totaled $252,966 consisting of $239,150 principal and $13,878 interest. On December 13, 2016, the District purchased more equipment and added an additional principal amount of $480,164, with an effective interest rate of 2.69%, to the existing master lease. This lease was paid in full during the fiscal year 2018.

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

Payments, which include both principal and interest, occur at annual intervals. Amortization expense on the leased assets is included in depreciation expense.

Principal and interest payments on the District's leases to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	447,159	65,571	512,730
2020	459,784	56,010	515,794
2021	219,760	46,217	265,977
2022	232,424	40,868	273,291
2023	245,595	35,211	280,807
2024-2028	1,281,634	79,587	1,361,221
Total	$ 2,886,356	$ 323,464	$ 3,209,820

3. Accrued Liabilities for Compensated Absences

a. Vacation

Accrued vacation benefits represent accumulated vacation benefits of support and administrative employees. Employees may accumulate a maximum of two years vacation days with payment for unused days payable on termination, death or retirement.

b. General Leave/Sick Leave

General leave begins accruing on the first day of employment and accrues at the rate of 10 days per year. Employees with greater than 9 month contracts will accrue 1 additional day for each additional month contracted. Unused general leave in a given contract year accumulates as sick leave in subsequent years – up to 90 days. Employees may accumulate up to 90 days sick leave/general leave. At the end of each fiscal year, the unused leave in excess of 90 days is paid at the following rates: teachers at the rate of 75% of the cost of a substitute teacher; classified staff at the rate of 50% of their daily rates; and administrators at the rate of 40% of their daily rate, not to exceed $100 per day.

At the time of resignation, or other termination of employment, teachers and administrators shall be paid for accrued general leave at the rates stated above. Only classified staff eligible for the District's retirement bonus program will be paid for accrued general leave and will be paid at the rate stated above. At the time of retirement, unsaved leave for teachers will be paid at a rate of 100% of the cost of a substitute and for administrators at 40% of the daily rate, not to exceed

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

$100 per day. Accrued general leave days shall be considered sick leave days.

Liabilities for compensated absences are liquidated by the General Fund or applicable special revenue funds.

4. Retirement Benefits

The retirement benefits payable represents the unpaid portion of the District's retirement bonus program for certified personnel hired prior to May 1, 1986 and classified personnel hired prior to May 1, 1987 with a minimum of thirteen years of continuous employment. Payment is based on age and length of service. Annual payment requirements of those employees who have retired are as follows:

Retirement Benefits Year ending June 30,	
2019	39,550
2020	30,516
2021	23,999
2022	6,489
2023	6,489
Total	$ 107,043

NOTE G – LONG-TERM OBLIGATIONS – CONTINUED

5. Changes in Long-Term Debt

During the period ended June 30, 2018, the following changes occurred in the District's long-term obligations:

Governmental Activities:

	Balance July, 1, 2017	Additions	Deletions	Balance June 30, 2018	Current
General Obligation					
Bonds, Series 2011	$ 4,140,000	$ –	$ (630,000)	$ 3,510,000	$ 645,000
Premium on Series 2011	368,684	–	(58,990)	309,694	58,990
Bond, Series 2017	20,775,000	–	(330,000)	20,445,000	200,000
Premium on Series 2017	3,240,597	–	(377,545)	2,863,052	377,545
Total GO Bonds	28,524,281		(1,396,535)	27,127,746	1,281,535
2012 Capital Lease	2,586,273	–	(191,862)	2,394,411	203,488
Apple Lease 2016	731,095	–	(239,150)	491,945	243,670
Apple Lease 2017	480,164		(480,164)	–	–
Total Capital Leases	3,797,532		(911,176)	2,886,356	447,158
Retirement Bonuses	140,105	–	(33,062)	107,043	39,550
Compensated Absences	1,487,903	44,026	–	1,531,929	244,429
Totals	$ 33,949,821	$ 44,026	$ (2,340,773)	$ 31,653,074	$ 2,012,672

NOTE H – DEFINED BENEFIT PENSION PLAN

1. Summary of Significant Accounting Policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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.

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 to be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

2. General Information about the Pension Plan

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

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

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2018. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 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:

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

	Year Ended December 31, 2017	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 SCHDTF[1]	18.63%	19.13%

[1]Rates 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 and component units for the year ended June 30, 2018 were as follows:

Vista	$	145,694
MCSD		5,490,711
District Total	$	5,636,405

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

3. 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 $199,286,005 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-wide proportion was .6328%, which was a decrease of .0088% from its proportion measured as of December 31, 2016.

The District allocated 2.62% of that total to Vista Charter School, based on their share of PERA employer contributions paid through the District. Passage Charter School closed at the end of fiscal year 2017 and the majority of its employees were hired by the District at that time. Therefore, the District's net pension liability as of June 30, 2018 includes the Passage Charter School portion.

Allocation of Net Pension Liability (NPL)

Entity	NPL	% of District Total
District Only	$ 199,286,005	97.38%
Vista Charter	5,353,218	2.62%
District-Wide Total	$ 204,639,223	100.00%

For the year ended June 30, 2018, the recognized pension expense for the District and the component unit were as follows:

Entity	Expense Amount
School District Only	$ 38,872,262
Vista Charter School	1,774,417
District-Wide Total	$ 40,646,679

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 3,664,030	$ –
Changes of assumptions or other inputs	50,885,121	322,905
Net difference between projected and actual earnings on pension plan investments	–	7,826,151
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	3,776,175
Contributions subsequent to the measurement date	2,842,828	–
Total	$ 57,391,979	$ 11,925,231

The $2,842,828 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, 2018. 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,	Amortization
2019	$ 28,983,383
2020	16,613,281
2021	(28,515)
2022	(2,944,229)
	$ 42,623,920

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

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

A discount rate of 4.78 percent was used in the foll-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.

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the period 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 rate of return on pension plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

Asset Class	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%

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

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 percent.

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 method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5 percent.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment,

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

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

Sensitivity of the District 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:

Sensitivity of the NPL Discount rate:	3.78%	4.78%	5.78%
District Only	251,732,119	199,286,005	156,548,412
Vista Charter	6,672,024	5,353,218	4,205,201
District-Wide Total	$ 258,404,143	$ 204,639,223	$ 160,753,613

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/investment/pera-financial-reports.

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

Payables to the pension plan

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

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

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

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

At June 30, 2018, the District reported a liability of $199,286,005 for its proportionate share of the net pension liability which was measured using the plan provision in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, became law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

NOTE H – DEFINED BENEFIT PENSION PLAN – CONTINUED

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro-forma)
7.25%	$90,035,690

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $93,027,952 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE I – DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contribution up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, and investment earnings. For the year ended June 30, 2018, program members contributed $346,110.

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

1. Summary of Significant Accounting Policies

OPEB. The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflow 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.

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

2. General Information about the OPEB Plan

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

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

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN - CONTINUED

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the school were $296,442 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $4,550,839 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 proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was .35017 percent, which was an decrease of .007 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of $343,497. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$21,521	$–
Net difference between projected and actual earnings on OPEB plan investments	–	76,134
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	54,131
Contributions subsequent to the measurement date	148,809	N/A
Total	$170,330	$130,265

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

$148,809 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, 2018:	
2019	$(25,440)
2020	(25,440)
2021	(25,440)
2022	(25,440)
2023	(6,405)
Thereafter	(579)

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

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

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

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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%

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:

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

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

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

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

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

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

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience.

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience.

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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 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	$4,544,699	$4,673,279	$4,828,145

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

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

Sensitivity of the District 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:

NOTE J – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$5,116,574	$4,550,839	$4,067,969

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

NOTE K – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established an Insurance Reserve Fund, a sub-fund of the General Fund, in accordance with Colorado Statutes to insure against loss or damage to property, pay premiums on loss insurances, and pay administrative costs. The Insurance Reserve Fund receives funding from a General Fund transfer. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In addition, the District has established an Employee Medical Benefit Fund (EMBF) (an internal service fund) to account for and finance its uninsured risks of loss for employee health and accident insurance. Under this program, EMBF provides coverage from the purchase of commercial insurance for a specific deductible of $150,000, with an aggregating specific deductible of an additional $100,000. The maximum aggregate benefit is $1,000,000.

All funds of the District participate in the program and make payments to the EMBF based on estimates of the amounts needed to pay prior and current year claims. The claims liability of $833,707, reported at June 30, 2018, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements, and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred, but not reported.

Changes in the EMBF's claims liability amount for the past three years were as follows:

NOTE K – RISK MANAGEMENT – CONTINUED

	Beginning of Year Liability	Claims and Changes in Estimate	Claim Payments	End of Year Liability
2016	$ 532,000	$ 5,171,180	$ 5,026,470	$ 676,710
2017	676,710	5,177,937	5,289,414	565,033
2018	565,033	5,921,294	5,652,620	833,707

NOTE L – COMMITMENTS

In December 2010, the District, as the chartering authority for the charter school, entered into a sublease agreement with the State of Colorado and Vista Charter School, to construct a new building. The building is complete, but the sublease is ongoing, and the District continues in its underwriter relationship with the Charter School and the State. More information can be found in the financial statements of Vista Charter School.

NOTE M – CONTINGENT LIABILITIES

Under the terms of federal and state grants, costs may be questioned as not being appropriate expenditures under the terms of the grants which could lead to reimbursement to the grantor agencies. District management believes any questioned costs would be immaterial.

The District is subject to various claims arising from events occurring in its ordinary operations. District management believes that the disposition of these matters will not have a material adverse effect on the financial position of the District.

NOTE N – CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the District accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by $4,462,302, from ($72,714,842) to ($77,177,144).

Montrose County School District No. RE - 1J

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

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources				
General property tax	$ 10,648,000	$ 10,648,000	$ 10,892,755	$ 244,755
Specific ownership tax	1,340,000	1,340,000	1,808,121	468,121
Penalties and interest on delinquent tax	40,000	40,000	42,030	2,030
Investment earnings	95,000	95,000	43,432	(51,568)
Other	99,400	99,400	208,607	109,207
Total local sources	12,222,400	12,222,400	12,994,945	772,545
Intermediate sources				
Forest service collection	-	-	258,834	258,834
Mineral leasing	6,800	6,800	-	(6,800)
Impact fees	2,900	2,900	4,596	1,696
Total intermediate sources	9,700	9,700	263,430	253,730
State sources				
Equalization	31,263,034	30,645,497	30,785,440	139,943
Exceptional Children's Educational Act	1,150,000	1,150,000	1,223,281	73,281
Rural Schools	1,010,309	1,010,309	1,022,269	11,960
Transportation	380,000	380,000	350,347	(29,653)
Vocational education	120,000	120,000	141,692	21,692
English Language Proficiency Act	340,000	340,000	246,496	(93,504)
Gifted and Talented	56,000	56,000	58,054	2,054
Other	45,000	45,000	47,685	2,685
Total state sources	34,364,343	33,746,806	33,875,264	128,458
Federal sources				
Medicaid	200,000	200,000	413,001	213,001
NJROTC	60,000	60,000	70,371	10,371
SWAP	35,000	35,000	56,578	21,578
Total federal sources	295,000	295,000	539,950	244,950
Total revenues	46,891,443	46,273,906	47,673,589	1,399,683
Expenditures				
Current				
Instructional services	26,745,046	27,809,645	26,396,172	1,413,473
Supporting services				
Students	2,936,290	2,972,633	2,954,904	17,729
Instruction	1,740,177	1,768,693	1,753,883	14,810
General administration	918,588	918,588	539,932	378,656
School administration	2,917,219	2,924,464	2,898,300	26,164
Business	1,775,735	1,760,735	979,905	780,830
Plant operations maintenance	5,277,402	5,302,707	5,308,374	(5,667)
Student transportation	1,973,685	1,973,685	1,797,676	176,009
Central services	767,155	789,025	1,018,639	(229,614)
Other	14,600	14,600	18,600	(4,000)
Other uses	42,600	44,400	60,757	(16,357)
Capital outlay	65,000	50,000	12,164	37,836
Total expenditures	45,173,497	46,329,175	43,739,306	2,589,869
Excess (deficiency) of revenues over (under) expenditures	1,717,946	(55,269)	3,934,283	3,989,552
Other financing sources (uses)				
Transfer (to)/from other funds	(1,643,000)	(2,248,000)	(2,928,000)	(680,000)
Total other financing sources (uses)	(1,643,000)	(2,248,000)	(2,928,000)	(680,000)
Change in fund balance	74,946	(2,303,269)	1,006,283	3,309,552
Fund balance, beginning of year	8,238,214	9,920,113	9,920,113	-
Fund balance, end of year	$ 8,313,160	$ 7,616,844	$ 10,926,396	$ 3,309,552

Montrose County School District No. RE - 1J

DESIGNATED PURPOSE GRANTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources	$ 223,491	$ 528,038	$ 357,092	$ (170,946)
State sources	740,745	901,737	1,319,486	417,749
Federal sources	4,182,864	5,263,789	5,016,986	(246,803)
Total revenues	5,147,100	6,693,564	6,693,564	-
Expenditures				
Current				
Instructional services	2,580,559	3,177,911	3,753,354	(575,443)
Supporting services				
Students	729,604	1,235,747	918,156	317,591
Instruction	1,004,755	1,587,372	1,354,420	232,952
General administration	-	4,266	11,557	(7,291)
School administration	85,752	57,255	58,561	(1,306)
Central services	-	48,750	20,000	28,750
Business	-	-	5,078	(5,078)
Other	701,921	14,548	-	14,548
Community services	44,149	116,694	113,420	3,274
Capital outlay	360	451,021	459,018	(7,997)
Total current expenditures	5,147,100	6,693,564	6,693,564	-
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:					
December 31, 2014	0.67857%	$ 91,969,306	$ 28,427,842	324%	63%
December 31, 2015	0.66306%	101,409,279	28,895,561	351%	59%
December 31, 2016	0.62836%	187,086,389	27,643,098	677%	43%
December 31, 2017	0.61629%	199,286,005	28,486,266	700%	44%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	$ 5,245,937	$ 5,245,937	$ -	$ 29,295,350	17.91%
June 30, 2016	5,144,580	5,144,580	-	29,012,232	17.73%
June 30, 2017	5,298,573	5,298,573	-	28,177,402	18.80%
June 30, 2018	5,785,174	5,785,174	-	29,062,972	19.91%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of net OPEB liability	Employer proportionate share of net OPEB liability	Employer covered payroll	Employer proportionate share of net OPEB liability as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
Measurement date:					
December 31, 2016	0.35717%	4,603,451	27,643,098	16.65%	16.70%
December 31, 2017	0.35017%	4,550,839	28,486,266	15.98%	17.53%

Montrose County School District No. RE - 1J

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2017	287,567	287,567	-	28,177,402	1.02%
June 30, 2018	296,442	296,442	-	29,062,972	1.02%

NOTE 1 RSI – BUDGETARY INFORMATION

The District follows these procedures in establishing the budgetary data reflected in the financial statements for its fiscal year ending June 30:

- The District adopts budgets for all funds.
- The proposed budget for the following fiscal year is submitted to the Board of Education on or before June 1 for its consideration.
- By June 30, the budget is adopted and appropriations are made by formal resolution.
- Budgets for governmental funds are adopted on a basis consistent with GAAP. Budgets for proprietary and trust funds are adopted on a basis consistent with the spending measurement focus of the governmental funds.
- Appropriations lapse at the end of each fiscal year.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. The Board of Education may adopt supplemental appropriations during the year. Budget amounts included in the financial statements are based on the final, legally amended budget.

During the year ended June 30, 2018, the General fund had additional supplemental appropriations of $0, the Insurance Reserve fund had additional appropriations of $24,175, and the Designated Grants Fund had additional appropriations of $1,546,464.

NOTE 2 RSI – PENSIONS

Factors that Significantly Affect Trends in the Amounts Reported

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit plan, or assumptions used that significantly affect trends in the amounts reported.

NOTE 3 RSI – OPEB

Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Montrose County School District No. RE - 1J

GENERAL FUND AND RELATED SUB-FUND
COMBINING BALANCE SHEET

June 30, 2018

	General Fund	Insurance Reserve Fund	Total
Assets			
Cash	$ 7,273,186	$ 894,124	$ 8,167,310
Investments	5,303,783	67	5,303,850
Receivables			
Taxes	759,350	-	759,350
Accounts	8,446	-	8,446
Intergovernmental	702,736	-	702,736
Due from other funds	1,284,518	527	1,285,045
Due from component units	27,867	15,325	43,192
Inventories	143,899	-	143,899
Total assets	$ 15,503,785	$ 910,043	$ 16,413,828
Liabilities, deferred inflows of resources, and fund balance			
Liabilities			
Accounts payable	$ 352,043	$ -	$ 352,043
Due to other funds	82,200	550	82,750
Due to component units	48,164	-	48,164
Accrued salaries and benefits	4,524,145	-	4,524,145
Total liabilities	5,006,552	550	5,007,102
Deferred inflows of resources			
Unavailable property tax revenues	130,330	-	130,330
Unavailable transportation revenues	350,000	-	350,000
Total deferred inflows of resources	480,330	-	480,330
Fund balances			
Nonspendable			
Inventory	143,899	-	143,899
Restricted			
Emergency Reserve - TABOR	1,678,128	-	1,678,128
Committed			
Retirement	268,224	-	268,224
Assigned			
School based health centers	247,716	-	247,716
Insurance	-	909,493	909,493
Unassigned	7,678,936	-	7,678,936
Total fund balances	10,016,903	909,493	10,926,396
Total liabilities, deferred inflows of resources, and fund balances	$ 15,503,785	$ 910,043	$ 16,413,828

Montrose County School District No. RE - 1J

GENERAL FUND AND RELATED SUB-FUND
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year ended June 30, 2018

	General Fund	Insurance Reserve Fund	Total
Revenues			
Local sources	$ 12,993,902	$ 1,043	$ 12,994,945
Intermediate sources	263,430	-	263,430
State sources	33,875,264	-	33,875,264
Federal sources	539,950	-	539,950
Total revenues	47,672,546	1,043	47,673,589
Expenditures			
Current			
Instructional services	26,396,172	-	26,396,172
Supporting services	16,475,464	794,749	17,270,213
Other uses	60,757	-	60,757
Capital outlay	12,164	-	12,164
Total expenditures	42,944,557	794,749	43,739,306
Excess (deficiency) of revenues over (under) expenditures	4,727,989	(793,706)	3,934,283
Other financing sources (uses)			
Proceeds from capital lease	-	-	-
Transfers from other funds	-	815,000	815,000
Transfers to other funds	(3,743,000)	-	(3,743,000)
Total other financing sources (uses)	(3,743,000)	815,000	(2,928,000)
Change in fund balance	984,989	21,294	1,006,283
Fund balance, beginning of year	9,031,914	888,199	9,920,113
Fund balance, end of year	$ 10,016,903	$ 909,493	$ 10,926,396

Montrose County School District No. RE - 1J

GENERAL FUND (Excluding insurance reserve sub-fund)
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources				
General property tax	$ 10,648,000	$ 10,648,000	$ 10,892,755	$ 244,755
Specific ownership tax	1,340,000	1,340,000	1,808,121	468,121
Penalties and interest on delinquent tax	40,000	40,000	42,030	2,030
Investment earnings	95,000	95,000	43,432	(51,568)
Other	99,400	99,400	207,564	108,164
Total local sources	12,222,400	12,222,400	12,993,902	771,502
Intermediate sources				
Forest service collection	-	-	258,834	258,834
Mineral leasing	6,800	6,800	-	(6,800)
Impact fees	2,900	2,900	4,596	1,696
Total intermediate sources	9,700	9,700	263,430	253,730
State sources				
Equalization	31,263,034	30,645,497	30,785,440	139,943
Exceptional Children's Educational Act	1,150,000	1,150,000	1,223,281	73,281
Rural Schools	1,010,309	1,010,309	1,022,269	11,960
Transportation	380,000	380,000	350,347	(29,653)
Vocational education	120,000	120,000	141,692	21,692
English Language Proficiency Act	340,000	340,000	246,496	(93,504)
Gifted and Talented	56,000	56,000	58,054	2,054
Other	45,000	45,000	47,685	2,685
Total state sources	34,364,343	33,746,806	33,875,264	128,458
Federal sources				
Medicaid	200,000	200,000	413,001	213,001
NJROTC	60,000	60,000	70,371	10,371
SWAP	35,000	35,000	56,578	21,578
Total federal sources	295,000	295,000	539,950	244,950
Total revenues	46,891,443	46,273,906	47,672,546	1,398,640
Expenditures				
Current				
Instructional services	26,745,046	27,809,645	26,396,172	1,413,473
Supporting services				
Students	2,936,290	2,972,633	2,954,904	17,729
Instruction	1,740,177	1,768,693	1,753,883	14,810
General administration	918,588	918,588	539,932	378,656
School administration	2,917,219	2,924,464	2,898,300	26,164
Business	1,775,735	1,760,735	979,905	780,830
Plant operations maintenance	4,561,302	4,569,302	4,618,205	(48,903)
Student transportation	1,973,685	1,973,685	1,797,676	176,009
Central services	668,255	683,255	914,059	(230,804)
Food services	14,600	14,600	15,321	(721)
Community Services	-	-	3,279	(3,279)
Other uses	42,600	44,400	60,757	(16,357)
Capital outlay	65,000	50,000	12,164	37,836
Total expenditures	44,358,497	45,490,000	42,944,557	2,545,443
Excess (deficiency) of revenues over (under) expenditures	2,532,946	783,906	4,727,989	(1,146,803)
Other financing sources (uses)				
Transfers to other funds	(2,458,000)	(3,763,000)	(3,743,000)	20,000
Total other financing sources (uses)	(2,458,000)	(3,763,000)	(3,743,000)	20,000
Change in fund balance	74,946	(2,979,094)	984,989	(1,126,803)
Fund balance, beginning of year	7,778,220	9,031,914	9,031,914	-
Fund balance, end of year	$ 7,853,166	$ 6,052,820	$ 10,016,903	$ (1,126,803)

Montrose County School District No. RE - 1J

INSURANCE RESERVE FUND (A SUB-FUND OF THE GENERAL FUND)
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget
	Original	Amended	Actual	Positive (Negative)
Revenues				
Local sources				
Investment earnings	$ -	$ -	$ -	$ -
Other	-	-	1,043	1,043
Total revenues	-	-	1,043	1,043
Expenditures				
Insurance premiums	716,100	733,405	690,169	43,236
Administration	98,900	105,770	104,580	1,190
Total expenditures	815,000	839,175	794,749	44,426
Excess (deficiency) of revenues over (under) expenditures	(815,000)	(839,175)	(793,706)	45,469
Other financing sources (uses)				
Transfers from other funds	815,000	815,000	815,000	-
Total other financing sources (uses)	815,000	815,000	815,000	-
Change in fund balance	-	(24,175)	21,294	45,469
Fund balance, beginning of year	459,994	888,199	888,199	-
Fund balance, end of year	$ 459,994	$ 864,024	$ 909,493	$ 45,469

Montrose County School District No. RE - 1J

EXPENDITURE MATRIX - GENERAL FUND (Excluding Insurance Reserve Sub-fund)

Year ended June 30, 2018

	Salaries	Employee Benefits	Purchased Services	Supplies	Capital	Other	Total Actual	Final Budget	Variance Favorable (Unfavorable)
Instruction	$ 18,464,420	$ 6,486,143	$ 616,848	$ 502,273	$ 279,157	$ 47,331	$ 26,396,172	$ 27,809,645	$ 1,413,473
Supporting services									
Students	2,083,987	680,886	171,187	18,844	-	-	2,954,904	2,972,633	17,729
Instruction	885,736	476,848	326,330	54,730	1,023	9,216	1,753,883	1,768,693	14,810
General administration	289,701	76,176	127,540	16,379	530	29,606	539,932	918,588	378,656
School administration	2,060,856	694,556	43,752	78,935	18,707	1,494	2,898,300	2,924,464	26,164
Business	434,230	98,589	126,190	18,434	22,393	280,069	979,905	1,760,735	780,830
Plant operations and maintenance	2,037,360	811,667	557,834	1,196,989	14,355	-	4,618,205	4,569,302	(48,903)
Student transportation	62,276	13,353	1,612,801	107,767	1,479	-	1,797,676	1,973,685	176,009
Central services	470,624	129,435	172,264	36,222	104,305	1,209	914,059	683,255	(230,804)
Other	3,379	721	8,988	5,512	-	60,757	79,357	44,400	(34,957)
Fiscal emergency reserve	-	-	-	-	-	-	-	-	-
Contingency reserve	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total supporting services expenditures	8,328,149	2,982,231	3,146,886	1,533,812	162,792	382,351	16,536,221	17,630,355	1,094,134
Capital outlay	-	-	670	-	11,494	-	12,164	50,000	37,836
Total actual expenditures	26,792,569	9,468,374	3,764,404	2,036,085	453,443	429,682	42,944,557	$ 45,490,000	$ 2,545,443
Final Budget	27,033,932	9,528,113	4,004,901	2,081,647	402,225	1,307,679	44,358,497		
Variance Favorable (Unfavorable)	$ 241,363	$ 59,739	$ 240,497	$ 45,562	$ (51,218)	$ 877,997	$ 1,413,940		

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET

June 30, 2018

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Assets							
Cash	$ 259,407	$ 1,327,912	$ 277,480	$ -	$ 308,784	$ 2,115,081	$ 4,288,664
Investments	572	-	-	1,147,289	-	43,495	1,191,356
Accounts receivable	22,660	6,998	-	428,086	-	-	457,744
Prepaid expenses	-	-	-	-	-	48,674	48,674
Due from other funds	-	104	-	-	-	-	104
Inventories	154,959	-	-	-	-	-	154,959
Total assets	$ 437,598	$ 1,335,014	$ 277,480	$ 1,575,375	$ 308,784	$ 2,207,250	$ 6,141,501
Liabilities, deferred inflows of resources, and fund balances							
Liabilities							
Accounts payable	3,684	-	-	-	-	-	3,684
Due to other funds	1,650	-	-	-	166,471	41,796	209,917
Accrued expenses	123,191	-	-	-	-	-	123,191
Unearned revenue	24,430	-	-	-	-	-	24,430
Total liabilities	152,955	-	-	-	166,471	41,796	361,222
Deferred inflows of resources							
Unavailable property tax revenue	-	-	-	29,640	-	-	29,640
Total deferred inflows of resources	-	-	-	29,640	-	-	29,640
Fund balances							
Non-spendable							
Prepaid expense	-	-	-	-	-	48,674	48,674
Inventories	154,959	-	-	-	-	-	154,959
Restricted							
Debt Service	-	-	-	1,545,735	-	-	1,545,735
Committed							
Debt service	-	-	-	-	142,313	-	142,313
Nutritional service	129,684	-	-	-	-	-	129,684
Student activities	-	1,335,014	-	-	-	-	1,335,014
Capital projects	-	-	277,480	-	-	2,116,780	2,394,260
Total fund balances	284,643	1,335,014	277,480	1,545,735	142,313	2,165,454	5,750,639
Total liabilities, deferred inflows, and fund balances	$ 437,598	$ 1,335,014	$ 277,480	$ 1,575,375	$ 308,784	$ 2,207,250	$ 6,141,501

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year ended June 30, 2018

	Nutritional Services Fund	Student Activity Fund	Fee-in-Lieu Fund	Bond Redemption Fund	Capital Lease Fund	Capital Projects Fund	Total
Revenues							
Local sources	$ 348,939	$ 1,866,787	$ -	$ 1,968,228	$ -	$ 19,310	$ 4,203,264
Intermediate sources	-	-	113,217	475	-	-	113,692
State sources	30,189	-	-	-	-	-	30,189
Federal sources	1,458,256	-	-	-	-	-	1,458,256
Total revenues	1,837,384	1,866,787	113,217	1,968,703	-	19,310	5,805,401
Expenditures							
Current:							
Instructional	-	-	-	-	-	-	-
Student activities	-	1,675,185	-	-	-	-	1,675,185
Food service	2,007,463	-	-	-	-	-	2,007,463
Transportation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	1,025,821	1,025,821
Debt service							
Principal	-	-	-	1,445,719	1,200,211	-	2,645,930
Interest and fees	-	-	-	643,312	74,691	-	718,003
Total expenditures	2,007,463	1,675,185	-	2,089,031	1,274,902	1,025,821	8,072,402
Excess (deficiency) of revenues over (under) expenditures before other financing sources and uses	(170,079)	191,602	113,217	(120,328)	(1,274,902)	(1,006,511)	(2,267,001)
Other financing sources (uses)							
Proceeds from sale of assets	-	-	-	-	-	50	50
Capital lease proceeds	-	-	-	-	-	102,987	102,987
Transfers from other funds	-	-	-	-	1,278,000	1,450,000	2,728,000
Transfers to other funds	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	1,278,000	1,553,037	2,831,037
Change in fund balance	(170,079)	191,602	113,217	(120,328)	3,098	546,526	564,036
Fund balance, beginning of year	454,722	1,143,412	164,263	1,666,063	139,215	1,618,928	5,186,603
Fund balance, end of year	$ 284,643	$ 1,335,014	$ 277,480	$ 1,545,735	$ 142,313	$ 2,165,454	$ 5,750,639

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - NUTRITIONAL SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Local sources				
Food sales	$ 295,900	$ 295,900	$ 347,910	$ 52,010
Miscellaneous	100	100	1,029	929
	296,000	296,000	348,939	52,939
State sources				
K-12 reduced lunch program	11,700	11,700	11,510	(190)
Start smart	20,050	20,050	4,318	(15,732)
State child nutrition match	13,500	13,500	14,361	861
Total state sources	45,250	45,250	30,189	(15,061)
Federal sources				
National school lunch program	1,112,900	1,112,900	1,322,788	209,888
Commodities	119,000	119,000	122,206	3,206
Other grants	11,700	11,700	13,262	1,562
Total federal sources	1,243,600	1,243,600	1,458,256	214,656
Total revenues	1,584,850	1,584,850	1,837,384	252,534
Expenditures				
Current				
Food service activities	1,523,000	2,161,300	2,007,463	153,837
Other financing sources (uses)				
Transfers from other funds	-	-	-	-
Change in fund balance	61,850	(576,450)	(170,079)	406,371
Fund balance, beginning of year	483,964	454,722	454,722	-
Fund balance, end of year	$ 545,814	$ (121,728)	$ 284,643	$ 406,371

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - STUDENT ACTIVITY FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Local sources				
Student activities	$ 1,900,000	$ 1,900,000	$ 1,866,787	$ (33,213)
Expenditures				
Current				
Student activities	1,900,000	1,788,157	1,675,185	112,972
Excess (deficiency) of revenues over (under) expenditures	-	111,843	191,602	79,759
Change in fund balance	-	111,843	191,602	79,759
Fund balance, beginning of year	872,247	1,143,412	1,143,412	-
Fund balance, end of year	$ 872,247	$ 1,255,255	$ 1,335,014	$ 79,759

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - FEE-IN-LIEU FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Intermediate sources				
Fees in lieu of land dedication	$ 50,000	$ 50,000	$ 113,217	$ 63,217
Total revenues	50,000	50,000	113,217	63,217
Expenditures				
Supporting services	-	-	-	-
Other financing sources (uses)				
Transfers to other funds	-	-	-	-
Change in fund balance	50,000	50,000	113,217	63,217
Fund balance, beginning of year	207,599	164,263	164,263	-
Fund balance, end of year	$ 257,599	$ 214,263	$ 277,480	$ 63,217

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - BOND REDEMPTION FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Local sources				
General property tax	$ 2,008,000	$ 2,008,000	$ 1,942,772	$ (65,228)
Penalities and interest on delinquent tax	-	-	13,026	13,026
Investment and interest earnings	-	-	12,430	12,430
Intermediate sources - other fees	-	-	475	475
Total revenues	2,008,000	2,008,000	1,968,703	(39,297)
Expenditures				
Debt service				
Principal	960,000	960,000	1,445,719	(485,719)
Interest	1,128,238	1,127,740	643,312	484,428
Total expenditures	2,088,238	2,087,740	2,089,031	(1,291)
Change in fund balance	(80,238)	(79,740)	(120,328)	(40,588)
Fund balance, beginning of year	817,768	1,666,063	1,666,063	-
Fund balance, end of year	$ 737,530	$ 1,586,323	$ 1,545,735	$ (40,588)

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - CAPITAL LEASE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Expenditures				
Debt service				
Principal	$ 672,277	$ 1,277,278	$ 1,200,211	$ 77,067
Interest	-	-	74,691	(74,691)
Total expenditures	672,277	1,277,278	1,274,902	2,376
Excess (deficiency) of revenues over (under) expenditures	672,277	1,277,278	1,274,902	2,376
Other financing sources (uses)				
Transfers from other funds	673,000	1,278,000	1,278,000	-
Net change in fund balance	723	722	3,098	(2,376)
Fund balance, beginning of year	20	139,215	139,215	-
Fund balance, end of year	$ 743	$ 139,937	$ 142,313	$ (2,376)

Montrose County School District No. RE - 1J

BUILDING FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Local sources				
Investment and interest earnings	$ 161,000	$ 161,000	$ 255,210	$ 94,210
State sources				
Capital grant	11,450,000	11,450,000	8,067,296	(3,382,704)
Total revenues	11,611,000	11,611,000	8,322,506	(3,288,494)
Expenditures				
Current				
Operations and maintenance	-	-	4,000	4,000
Capital outlay	33,511,000	33,511,000	21,833,132	11,677,868
Total expenditures	33,511,000	33,511,000	21,837,132	11,681,868
Excess (deficiency) of revenues over (under) expenditures	(21,900,000)	(21,900,000)	(13,514,626)	8,393,374
Other financing sources (uses)				
Transfers from other funds	200,000	200,000	200,000	-
Total other funancing sources (uses)	200,000	200,000	200,000	-
Change in fund balance	(21,700,000)	(21,700,000)	(13,314,626)	8,393,374
Fund balance, beginning of year	22,207,165	22,966,523	22,966,523	-
Fund balance, end of year	$ 507,165	$ 1,266,523	$ 9,651,897	$ 8,393,374

Montrose County School District No. RE - 1J

NON-MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Local sources				
Investment and interest earnings	$ -	$ -	$ 290	$ 290
Mini bus charges	20,000	20,000	19,020	(980)
Total revenues	20,000	20,000	19,310	(690)
Expenditures				
Current				
Instructional	50,000	50,000	-	50,000
Capital outlay	1,235,000	1,545,755	1,025,821	519,934
Total expenditures	1,285,000	1,595,755	1,025,821	569,934
Excess (deficiency) of revenues over (under) expenditures	(1,265,000)	(1,575,755)	(1,006,511)	569,244
Other financing sources (uses)				
Proceeds from sale of assets	-	-	50	50
Capital lease proceeds	-	-	102,987	102,987
Transfers from other funds	750,000	750,000	1,450,000	700,000
Total other financing sources (uses)	750,000	750,000	1,553,037	803,037
Net changes in fund balance	(515,000)	(825,755)	546,526	1,372,281
Fund balance, beginning of year	2,116,950	1,618,928	1,618,928	-
Fund balance, end of year	$ 1,601,950	$ 793,173	$ 2,165,454	$ 1,372,281

Montrose County School District No. RE - 1J

EMPLOYEE MEDICAL BENEFIT FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Premiums	$ 6,823,070	$ 6,823,070	$ 6,632,041	$ (191,029)
Interest income	4,070	4,070	43,898	39,828
Total revenues	6,827,140	6,827,140	6,675,939	(151,201)
Expenses				
Claims	6,072,810	6,072,810	5,921,114	151,696
Insurance premiums and administration	747,110	747,110	621,955	125,155
Total expenses	6,819,920	6,819,920	6,543,069	276,851
Change in net position	7,220	7,220	132,870	125,650
Net position, beginning of year	2,111,862	2,472,717	2,472,717	-
Net position, end of year	$ 2,119,082	$ 2,479,937	$ 2,605,587	$ 125,650

Montrose County School District No. RE - 1J

SCHOLARSHIP TRUST FUNDS
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN NET POSITION - BUDGET AND ACTUAL

Year ended June 30, 2018

	Budget			Variance with Final Budget Positive
	Original	Amended	Actual	(Negative)
Revenues				
Investment earnings	$ 19,000	$ 19,000	$ 10,801	$ (8,199)
Contributions	28,400	28,400	20,250	(8,150)
Rental income	9,600	9,600	9,600	-
Scholarships returned	-	-	89,550	89,550
Total revenues	57,000	57,000	130,201	73,201
Expenditures				
Scholarships awarded	56,000	40,000	85,694	(45,694)
General and administrative	1,000	1,000	10,805	(9,805)
Total expenditures	57,000	41,000	96,499	(55,499)
Change in net position	-	16,000	33,702	17,702
Net position, beginning of year	1,143,295	1,143,195	1,143,195	-
Net position, end of year	$ 1,143,295	$ 1,159,195	$ 1,176,897	$ 17,702

Montrose County School District No. RE-1J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2018

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	State Pass-thru ID	2018 Amount of Award Expended
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Colorado Department of Education			
School Breakfast Program	10.553	4553	$ 267,984
National School Lunch Program (includes $122,206 commodities)	10.555	4555	1,168,171
Summer Food Service Program for Children	10.559	4559	22,102
Child Nutrition Cluster Sub-Total			1,458,257
Total U.S. Department of Agriculture			1,458,257
U.S. DEPARTMENT OF DEFENSE			
NJROTC	12.000	9001	70,371
Total U.S. Department of Defense			70,371
U.S. DEPARTMENT OF EDUCATION			
Passed through Colorado Department of Education			
Adult Education – Basic Grants to States	84.002	5002-6002	154,361
Title I Grants to Local Educational Agencies	84.010	4010	1,477,065
Special Education – Grants to States	84.027	4027	1,362,071
Special Education – Preschool Grants	84.173	4173	34,527
Special Education Cluster (IDEA) Sub-Total			1,396,598
Rural Education	84.358	7358	99,686
English Language Acquisition State Grants	84.365	4365	64,708
Improving Teacher Quality State Grants	84.367	4367	214,355
Student Support and Academic Enrichment Program	84.424	4424	8,570
Passed through State Board for Community College and Occupation Education			
Career and Technical Education – Basic Grants to States	84.048	4048	53,511
Total U.S. Department of Education			3,468,854
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Head Start	93.600	8600	1,479,066
Total U.S. Department of Health and Human Services			1,479,066
Total expenditures of federal awards			$ 6,476,548

NOTE A – GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs expended by Montrose County School District No. RE-1J. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did not elect to use the 10% de minimis indirect cost rate.

Pass-through entities
The District did not pass-through any federal funds to other entities for the year ended June 30, 2018.

Commodities
USDA donated foods (commodities) of $122,206 have been valued at the USDA pricing levels.

NOTE B – BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

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

December 20, 2018

Board of Education
Montrose County School District RE-1J

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Montrose County School District RE-1J (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2018. The financial statements of Vista Charter School were not audited in accordance with *Government Auditing Standards*.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

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financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

Purpose of this Report

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

Chadwick, Steinkirchner, Davis & Co., P.C.

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

December 20, 2018

Board of Education
Montrose County School District RE-1J

Report on Compliance for Each Major Federal Program

We have audited Montrose County School District RE-1J's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Montrose County School District RE-1J, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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Board of Education
December 20, 2018

Report on Internal Control over Compliance

Management of Montrose County School District RE-1J, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Chadwick, Steinkirchner, Davis & Co. P.C.

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	Unmodified Opinion			
Internal control over financial reporting:				
Material weakness(es) identified?	_____	yes	✓	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	✓	none reported
Noncompliance material to financial statements noted?	_____	yes	✓	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	_____	yes	✓	no
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	yes	✓	none reported
Type of auditor's report issued on compliance for major programs:	Unmodified Opinion			
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516?	_____	yes	✓	no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
93.600	Head Start

Dollar threshold used to distinguish between Type A and Type B programs:	$ 750,000			
Auditee qualified as low-risk auditee?	_____	yes	✓	no

Montrose County School District No. RE-1J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2018

SECTION II - FINDINGS UNDER GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards.*

SECTION III – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS

Our audit did not disclose any matters required to be reported in accordance with 2CFR 200.516(a).

Montrose County School District No. RE-1J

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2018

2017-001 Corrected Misstatements

Condition: The following material misstatements detected as a result of audit procedures were corrected by management: record amounts related to 2017 capital lease, expense 2017 bond issuance cost, record 2017 invoices related to the Columbine Middle School and Olathe High School construction projects, record and reclassify amounts related to the Head Start parking lot construction project.

Status: Not repeated.

2017-002 Corrected Schedule of Expenditures of Federal Awards

Condition: The federal funds amount expended for the Head Start federal program (CFDA #93.600) as per the schedule of expenditures of federal awards and underlying general ledger was materially incorrect, which was detected as a result of audit procedures and corrected by management.

Status: Not repeated.

If there are questions regarding this schedule, please call Adam Rogers at 970-249-7726.

Colorado Department of Education

Auditors Integrity Report

District: 2180 - MONTROSE COUNTY RE-1J
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	9,031,915	43,953,524	42,968,537	10,016,902
18 Risk Mgmt Sub-Fund of General Fund	888,199	816,043	794,750	909,493
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	**9,920,114**	**44,769,567**	**43,763,286**	**10,926,395**
11 Charter School Fund	2,054,063	1,806,374	1,379,218	2,481,219
20,26-29 Special Revenue Fund	164,263	113,217	0	277,480
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	454,721	1,837,385	2,007,463	284,643
22 Govt Designated-Purpose Grants Fund	0	6,693,564	6,693,564	0
23 Pupil Activity Special Revenue Fund	1,143,412	1,866,787	1,675,185	1,335,014
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,666,064	1,968,702	2,089,031	1,545,735
39 Certificate of Participation (COP) Debt Service Fund	139,215	1,278,000	1,274,902	142,313
41 Building Fund	22,966,522	8,522,508	21,837,132	9,651,898
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,618,929	1,469,359	922,833	2,165,454
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**40,127,303**	**70,325,462**	**81,642,615**	**28,810,150**
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	2,472,718	43,898	-88,972	2,605,587
Totals	**2,472,718**	**43,898**	**-88,972**	**2,605,587**
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	0	0	0	0
79 GASB 34:Permanent Fund	1,143,196	40,651	6,949	1,176,898
85 Foundations	0	0	0	0
Totals	**1,143,196**	**40,651**	**6,949**	**1,176,898**

FINAL