

Brush School District No. RE-2(J)
Brush, Colorado

Financial Statements

For the Year ended June 30, 2018

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Independent Auditors' Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brush School District No. RE-2(J) (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note N to the financial statements, in 2018 the District adopted new accounting guidance, GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, historical pension information and other post-employment benefit plan information listed in the table of contents 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 other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2018

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis

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

As management of the Brush School District No. RE-2(J), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The following should be read in conjunction with the District's basic financial statements, the notes to the financial statements, and the required supplementary information. All information presented is based on the District's fiscal calendar (July to June). Unless otherwise stated, references in this report to particular years refer to the District's fiscal years ended in June.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$9,597,232 (*net position*).
- The District's total net position increased by \$541,488 and unrestricted net position decreased by \$47,178,579
- At the end of the current fiscal year, the District's governmental funds reported combined fund balance of \$48,175,057, an increase of \$38,902,759 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$9,033,519 or approximately 68.40% of total General Fund expenditures.
- The District's total outstanding long-term debt increased during the current fiscal year. The increase is attributed to new bond issuance \$39,399,117 and \$4,088,014 due to the net pension and net OPEB liability (GASB 68 and 75) making the overall increase of long-term debt \$42,139,296

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements consist of three types of statements: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

The *statement of activities* presents information showing how the District's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., uncollected taxes and earned but unused vacation leave).

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

The two government-wide financial statements distinguish functions of the District that are principally supported by taxes and state equalization funding (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction, co-curricular pupil activities, instructional support, general and school administration, business and central services, technology, maintenance, transportation and food service.

The government-wide financial statements appear on pages 12-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing 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 revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Bond Redemption Fund and the Building Fund, which are considered major funds. Data from the other three governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds *are not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the District's own programs. The Scholarship Private-Purpose Trust Fund and Pupil Activity Agency Fund are reported as Fiduciary Funds. The fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-60 of this report.

Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule is provided for the General Fund as required supplementary information and for all other funds as other supplementary information to demonstrate compliance with this budget. Required supplementary information can be found on page 61-69 of this report. Other supplementary information can be found on pages 71-91.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$9,597,232 at June 30, 2018.

The largest portion of the District's net position reflects its \$20,028,681 investment in capital assets (e.g., land, buildings and improvements, vehicles, and equipment) net of accumulated depreciation and related outstanding debt. The District uses these capital assets to provide instructional and supporting services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These resources are related to debt service (\$3,666,204), Colorado Preschool Program (\$89,346), Food service operations (\$140,298) and for the TABOR emergency (\$540,000). The second largest component of net position represents the unrestricted

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

balance of \$(68,543,784). This amount is unrestricted and may be used to meet the District's ongoing obligations to its students and creditors.

For the fiscal year 2018, the District's net position increased by \$541,488. The reasons for this overall change are discussed in the following sections.

Brush School District No. RE-2(J) Net Position

	Total	
	2018	2017
Current and other assets	\$ 50,051,352	10,859,133
Capital assets	22,297,570	14,062,895
Total assets	72,348,922	24,922,028
Deferred outflows of resources	72,117	101,959
Deferred outflows for contributions	15,211,031	17,311,010
Total deferred outflows	15,283,148	17,412,969
Long-term liabilities outstanding	42,420,725	4,369,443
Other liabilities	1,899,717	1,541,104
Net Pension Liability (page 47 Notes)	48,586,470	44,506,341
Net OPEB Liability (page 60 Note N)	1,109,510	1,101,625
Deferred Inflows	3,212,880	955,204
Total liabilities and Deferred Inflows	97,229,302	52,473,717
Net investment in capital assets	20,028,681	9,727,755
Restricted	38,917,871	2,566,231
Unrestricted	(68,543,784)	(22,432,706)
Total net position	(9,597,232)	(10,138,720)

As can be seen from the chart above, net position increased by \$541,488 to \$(9,597,232) in FY 2018.

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$541,488 from the prior fiscal year for an ending balance of \$(9,597,232). Revenues increased (\$7,196,575) with a slight increase in operating grants and contributions and a significant increase in Capital Grants and Contributions. Revenue also increased slightly in charges for services related to the Head Start memorandum of understanding. Expenditures increased by \$4,080,638. Food Service was combined with Non-major funds in FY 2015 and that practice continued in FY 2018. Food Service's revenues exceeded expenditures resulting in an increase

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

in fund balance of \$89,841. Over 69% of Food Service revenues are federal and state reimbursement grants based on the District's high free and reduced student population.

Brush School District No. RE-2(J) Changes in Net Position

	Total	
	2018	2017
Revenues:		
Program revenues:		
Charges for services	\$ 304,698	295,804
Operating grants & contributions	1,502,394	1,171,247
Capital Grants and Contributions	4,021,321	0
General revenues:		
Property taxes	12,781,383	10,399,482
Specific ownership taxes	1,208,582	925,129
State share	4,418,652	4,456,119
Investment earnings	195,711	39,109
Other	601,654	550,930
Total revenues	<u>25,034,395</u>	<u>17,837,820</u>
Expenses:		
Instruction	13,188,926	11,242,200
Supporting services	10,281,210	9,037,595
Interest	1,022,771	132,474
Total expenses	<u>24,492,907</u>	<u>20,412,269</u>
Change in net position	541,488	(2,574,449)
Net position – beginning (July 1)	<u>(10,138,720)</u>	<u>(6,496,770)</u>
Net position – ending (June 30)	\$ <u>(9,597,232)</u>	\$ <u>(9,071,219)</u>

Financial Analysis of Governmental Funds

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

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. The unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use. This balance represents the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated the authority to assign resources for use by the District's Board of Education.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

At June 30, 2018, the District's governmental funds reported combined fund balances of \$48,175,057, an increase of \$38,902,759 over the prior year. Approximately 18.75% of this amount (\$9,033,519) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The District also designates certain balances as assigned fund balance indicating the District's intended use of these resources. The District assigned fund balance to excess special education costs totaling \$100,000. The remainder of the fund balance is either *non-spendable* or *restricted* 1) not in spendable form-prepaid and inventory items (\$123,667), 2) legally required to be maintained intact (\$540,000), 3) restricted for debt service purposes (\$3,666,204) or Capital expenditures (\$34,482,023), 4) restricted for the food service fund purposes (\$140,298) or 5) restricted for Colorado preschool (\$89,346).

The General Fund is the chief operating fund of the district, providing the majority of the resources for the educational and support programs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$9,033,519, an increase of \$2,578,881. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total General Fund expenditures net of transfers. Total fund balance represents approximately 74.5% of total General Fund expenditures net of transfers.

Revenue: Total Program revenue is a statutory concept that includes property taxes, specific ownership taxes, and state share. General Fund property tax revenues were based upon a levy of 37.492 mills applied against an assessed valuation of \$229,656,295. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. State share backfills the required statutory total program. Revenue from these three sources represents approximately 99% of the District's total revenue. Overall, General Fund revenue increased \$1,047,293 over prior year.

Expenditures: General Fund expenditures increased from prior year with increased spending in salaries and supplies. Additionally, the District targeted increased spending for professional development, intervention, and advanced academic opportunities as outlined with the Mill Levy Override.

The Bond Redemption Fund is used to account for the requirements of the Series 2012, 2015 and 2017 general obligation bonds as well as the matching portion of the Series 2017J Building Excellent Schools Today Bond. The revenue source for the Bond Redemption Fund is a voter approved mill levy. For fiscal 2018, the mill levy was 14.50 mills which was expected to generate approximately \$3.5 million. The Bond Redemption Fund expenditures reflect principal and interest costs on the District's debt. The District used excess fund balance that had been building in the Bond Redemption Fund subsidize bond debt in fiscal year 2017-2018. The Series 2003 and Series 2004 general obligation bonds were fully repaid in fiscal year 2014.

General Fund Budgetary Highlights

Total budgeted appropriations adopted by the Board of Education for fiscal year 2018 were \$34,617,765 including General Fund appropriations of \$14,332,810. Total revenues were higher than anticipated due to stronger property tax and specific ownership tax collections.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Expenditures were not as high as originally budgeted due to delays in maintenance. Overall, the District's change in fund balance was \$2,918,135 greater than expected.

Capital Assets and Debt Administration

Capital Assets

The District's gross investment in capital assets for its governmental activities as of June 30, 2018, amounts to \$22,297,570 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. Additional information on the District's capital assets can be found in Note E on page 35 of this report.

District voters approved a general obligation bond of \$6,055,000 and a matching certificate of participation bond of \$32,444,245 November 2017. The net proceeds of the Bonds are used for the financing of the costs to construct weather shelter additions at Thomson Primary and Beaver Valley Elementary and to enlarge Brush High School, creating a Middle School/High School Secondary campus as well as paying the costs associated with the issuance of the Bonds. Voters also approved a tax increase of \$400,000 annually to provide additional funds for operating expenses for new, improved, and enlarged school facilities in the middle and high schools.

The District purchased two Micro Buses totaling \$129,172. At Beaver Valley Elementary, asphalt and crack patching maintenance were performed as part of the 5-year plan, as well as HVAC maintenance and Playground updates totaling \$76,142. Equipment was purchased to upgrade the electronic door systems and handrails were installed at the High School \$7,350.

Long-term Debt

At the end of the fiscal year, the District had total long-term debt outstanding of \$92,116,705. Accrued interest payable at June 30, 2018, totaled \$121,051.

The District's total debt increased by \$43,487,131 during the fiscal year as a result of the new bond issuance and additions to Net pension and OPEB liability.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed valuation. The current debt limitation for the District is \$47,813,303, which is in excess of the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Notes G on pages 36-38 of this report.

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's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the School Business Officer, Brush School District No. RE-2(J), 527 Industrial Park Road, Brush, CO 80723. Information is also available via the District's website: Brush School District No. RE-2(J), Financial Transparency, <http://www.brushschools.org/financial-transparency>.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
Assets	
Cash	\$ 187,771
Cash with fiscal agent	27,937,040
Investments	20,997,855
Receivables	805,019
Prepaid expenses	83,781
Inventory	39,886
Capital assets, net of depreciation	<u>22,297,570</u>
Total assets	72,348,922
Deferred outflows of resources	
Deferred charges on refundings of bonds	72,117
Pension and other post-employment benefit deferrals	<u>15,211,031</u>
Total deferred outflows of resources	<u>15,283,148</u>
Total assets and deferred outflows of resources	<u><u>\$ 87,632,070</u></u>

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

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 117,534
Construction contracts payable	168,420
Accrued salaries and benefits	1,416,800
Payroll deductions and withholdings	6,536
Accrued expenditures	69,376
Accrued interest payable	121,051
Noncurrent liabilities	
Due within one year	2,337,386
Due in more than one year	<u>89,779,319</u>
Total liabilities	94,016,422
Deferred inflows of resources	
Pension and other post-employment benefit deferrals	<u>3,212,880</u>
Total deferred inflows of resources	3,212,880
Net position	
Net investment in capital assets	20,028,681
Restricted for:	
Emergencies	540,000
Colorado preschool program	89,346
Debt service	3,666,204
Capital expenditures	34,482,023
Food service	140,298
Unrestricted (deficit)	<u>(68,543,784)</u>
Total net position (deficit)	<u>(9,597,232)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 87,632,070</u></u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Activities
For the Year Ended June 30, 2018

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 13,188,926	\$ 32,436	\$ 826,049	
Supporting services				
Students	733,658			
Instructional staff	377,922		4,000	
General administration	1,029,478			
School administration	1,887,952			
Business services	108,979			
Operations and maintenance	2,079,059			
Student transportation	785,521	1,068	101,313	
Central support	969,686			
Enterprise operations	888,912	40,148		
Food services	791,851	231,046	571,032	4,282
Facilities acquisition				4,017,039
Unallocated depreciation*	628,192			
Interest and fiscal charges	1,022,771			
Total governmental activities	<u>\$ 24,492,907</u>	<u>\$ 304,698</u>	<u>\$ 1,502,394</u>	<u>\$ 4,021,321</u>

General revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for full-day kindergarten
- Property taxes, levied for debt services
- Specific ownership taxes
- Delinquent taxes and interest
- State categorical aid
- Earnings on investments
- Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year,
as restated

Net position (deficit) at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net
Governmental
Activities

\$ (12,330,441)

(733,658)

(373,922)

(1,029,478)

(1,887,952)

(108,979)

(2,079,059)

(683,140)

(969,686)

(848,764)

14,509

4,017,039

(628,192)

(1,022,771)

(18,664,494)

8,990,916

247,436

3,543,031

1,201,546

7,036

4,418,652

195,711

601,654

19,205,982

541,488

(10,138,720)

\$ (9,597,232)

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
Assets				
Cash	\$ 19,033			\$ 168,738
Cash with fiscal agent	105,157	\$ 4,043	\$ 27,827,533	307
Investments	10,669,812	3,576,833	6,751,210	
Due from other funds			2,222	58,882
Property taxes receivable	285,346	112,374		7,925
Grants receivable	21,489		84,284	84,351
Other receivables	209,250			
Prepaid items	83,781			
Inventory				39,886
Total assets	\$ 11,393,868	\$ 3,693,250	\$ 34,665,249	\$ 360,089
Liabilities				
Due to other funds	\$ 24,983			\$ 36,121
Accounts payable	93,872		\$ 14,806	8,856
Construction contracts payable			168,420	
Accrued salaries and benefits	1,284,252			132,548
Payroll withholdings	6,063			473
Other current liabilities	69,376			
Total liabilities	1,478,546	\$ -	183,226	177,998
Deferred inflows of resources				
Deferred property tax revenues	68,676	27,046		1,907
Fund balance				
Nonspendable for:				
Prepaid items	83,781			
Inventory				39,886
Restricted for:				
Emergencies	540,000			
Colorado preschool program	89,346			
Debt service		3,666,204		
Capital expenditures			34,482,023	
Food service operations				140,298
Assigned to special education	100,000			
Unassigned	9,033,519			
Total fund balance	9,846,646	3,666,204	34,482,023	180,184
Total liabilities, deferred inflows of resources and fund balance	\$ 11,393,868	\$ 3,693,250	\$ 34,665,249	\$ 360,089

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

Total		
	Amounts reported for governmental activities in the statement of net position are different because:	
	Total fund balance - governmental funds	\$ 48,175,057
\$ 187,771	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	22,297,570
27,937,040	Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	97,629
20,997,855	Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(121,051)
61,104	Long term liabilities and related deferred outflows and inflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds.	(80,046,437)
405,645	Net position (deficit) of the governmental activities	\$ (9,597,232)
190,124		
209,250		
83,781		
39,886		
<u>\$ 50,112,456</u>		
\$ 61,104		
117,534		
168,420		
1,416,800		
6,536		
69,376		
<u>1,839,770</u>		
97,629		
83,781		
39,886		
540,000		
89,346		
3,666,204		
34,482,023		
140,298		
100,000		
9,033,519		
<u>48,175,057</u>		
<u>\$ 50,112,456</u>		

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds
Revenues				
Local sources	\$ 10,984,510	\$ 3,553,550	\$ 77,850	\$ 484,534
Intermediate sources	4,799	780		55
State sources	4,992,949		4,017,039	15,278
Federal sources	5,576			870,938
Total revenues	15,987,834	3,554,330	4,094,889	1,370,805
Expenditures				
Instruction	7,054,972			650,730
Supporting services	5,991,411			716,693
Capital outlay			8,865,781	
Debt service				
Principal retirement	152,281	1,130,000		
Interest and fiscal charges	8,120	788,026		
Bond issuance costs			146,202	
Total expenditures	13,206,784	1,918,026	9,011,983	1,367,423
Excess of revenues over (under) expenditures	2,781,050	1,636,304	(4,917,094)	3,382
Other financing sources (uses)				
Proceeds from debt issuance			38,499,245	
Premium on bonds			899,872	
Transfers in				86,459
Transfers out	(86,459)			
Total other financing sources (uses)	(86,459)	-	39,399,117	86,459
Net change in fund balance	2,694,591	1,636,304	34,482,023	89,841
Fund balance at beginning of year	7,152,055	2,029,900	-	90,343
Fund balance at end of year	<u>\$ 9,846,646</u>	<u>\$ 3,666,204</u>	<u>\$ 34,482,023</u>	<u>\$ 180,184</u>

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

Total	Amounts reported for governmental activities in the statement of activities are different because:	
	Net change in fund balances - governmental funds	\$ 38,902,759
\$ 15,100,444	Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	8,243,172
5,634		
9,025,266		
876,514		
25,007,858		
7,705,702	Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	35,034
6,708,104		
8,865,781		
1,282,281	In the statement of activities, certain operating expenses - compensated absences, accrued interest payable, refunding deferred charges amortization and bond premium amortization - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(76,972)
796,146		
146,202		
25,504,216		
(496,358)		
38,499,245	Governmental funds report pension and OPEB contributions as expenditures. However, in the statement of activities, service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions and OPEB are reported as expense.	(8,445,669)
899,872		
86,459		
(86,459)		
39,399,117		
38,902,759	Proceeds from the issuance of debt are reported as revenue in the governmental funds, however, they are reported as a long-term liability in the statement of activities.	(39,399,117)
9,272,298		
\$ 48,175,057	Repayment of principal on general obligation bonds and capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	1,282,281
	Change in net position of governmental activities	\$ 541,488

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash	\$ 15,820	\$ 180,521
Certificates of deposit	262,945	42,386
Total assets	<u>\$ 278,765</u>	<u>\$ 222,907</u>
Liabilities		
Due to student groups		<u>\$ 222,907</u>
Total liabilities	\$ -	<u>\$ 222,907</u>
Net position		
Held in trust for scholarships	<u>278,765</u>	
Total liabilities and net position	<u>\$ 278,765</u>	

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Private Purpose Trust Fund
Additions	
Earnings on investments	\$ 77
Contributions	<u>107,833</u>
Total additions	107,910
Deductions	
Scholarship awards	<u>98,800</u>
Total deductions	<u>98,800</u>
Change in net position	9,110
Net position at beginning of year	<u>269,655</u>
Net position at end of year	<u><u>\$ 278,765</u></u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Brush School District No. RE-2(J)'s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

A.1 – Reporting entity

The Brush School District No. RE-2(J) is a school district governed by an elected seven-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The district does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District's full-day kindergarten program.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary funds:

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

Pupil Activity Agency Fund – This fund is an agency fund used to record financial transactions related to school-sponsored pupil organizations and activities.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Note A.3 – Basis of presentation

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

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

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

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

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

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	10-40 years
Licensed vehicles	5-20 years
Equipment	5-20 years

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated general leave benefits are paid to employees upon termination of employment.

Each full-time classified staff member employed on a 12-month basis shall be granted a two-week vacation after one year of regular employment and three weeks' vacation after 10 years of service to the school district. Part-time personnel employed 12 months per year shall receive the same number of vacation days as provided to full-time 12-month employees in accordance with the regular daily hours worked subject to regulations adopted by the Board. Accumulated leave is paid upon termination of employment.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

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

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$943,264, of which \$500,000 was insured and \$443,264 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District's own investment policies and procedures. Investments of the District may include:

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

At year-end, the District only held investments in certificates of deposit which are maintained in the Scholarship Trust Fund and Pupil Activity Fund.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments (Continued)

During the year, the District invested in Colostrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2018, the District had invested \$20,997,855 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments. The investment in Colostrust (a local government investment pool) is maintained in the General and Bond Redemption Funds.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colostrust	<u>\$ 20,997,855</u>	<u>\$20,997,855</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in Colostrust was rated AAA by Standard and Poor’s.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments (Continued)

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 384,112
Cash with fiscal agent	27,937,040
Certificates of deposit	305,331
Colotrust	<u>20,997,855</u>
Total	<u>\$ 49,624,338</u>
 <u>Statement of net position</u>	
Cash	\$ 187,771
Cash with fiscal agent	27,937,040
Investments	<u>20,997,855</u>
Subtotal	49,122,666
 <u>Statement of fiduciary net position</u>	
Cash	196,341
Certificates of deposit	<u>305,331</u>
Subtotal	<u>501,672</u>
Total	<u>\$ 49,624,338</u>

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 405,645
Grants receivable	190,124
Other receivables	<u>209,250</u>
Total	<u>\$ 805,019</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Morgan and Washington Counties bill and collect property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note D – Interfund transactions

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 24,983
Building fund	2,222	
Other governmental funds	<u>58,882</u>	<u>36,121</u>
Total	<u>\$ 61,104</u>	<u>\$ 61,104</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 86,459
Other governmental funds	<u>86,459</u>	<u>-</u>
Total	<u>\$ 86,459</u>	<u>\$ 86,459</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$86,459 from the General Fund to the Full-Day Kindergarten Fund to subsidize the costs of maintaining the District's full-day kindergarten program.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 597,193	\$ -	\$ -	\$ 597,193
Construction in progress	<u>-</u>	<u>8,862,723</u>	<u>-</u>	<u>8,862,723</u>
Total capital assets, not being depreciated	597,193	8,862,723	-	9,459,916
Capital assets, being depreciated:				
Buildings and improvements	29,774,114	32,775	-	29,806,889
Licensed vehicles	1,642,501	129,172	(308,435)	1,463,238
Equipment	<u>1,600,903</u>	<u>61,331</u>	<u>-</u>	<u>1,662,234</u>
Total capital assets, being depreciated	<u>33,017,518</u>	<u>223,278</u>	<u>(308,435)</u>	<u>32,932,361</u>
Total capital assets	33,614,711	9,086,001	(308,435)	42,392,277
Less accumulated depreciation:				
Buildings and improvements	(17,667,806)	(628,192)	-	(18,295,998)
Licensed vehicles	(952,499)	(71,054)	299,938	(723,615)
Equipment	<u>(931,511)</u>	<u>(143,583)</u>	<u>-</u>	<u>(1,075,094)</u>
Total accumulated depreciation	<u>(19,551,816)</u>	<u>(842,829)</u>	<u>299,938</u>	<u>(20,094,707)</u>
Governmental activities capital assets, net	<u>\$ 14,062,895</u>	<u>\$ 8,243,172</u>	<u>\$ (8,497)</u>	<u>\$ 22,297,570</u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 21,693
Operations and maintenance	121,005
Student transportation	71,939
Unallocated	<u>628,192</u>
Total	<u>\$ 842,829</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$1,416,800. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 34,303	\$ -	\$ (11,947)	\$ 22,356	\$ -
Capital lease obligation	152,281	-	(152,281)	-	-
Bonds payable	4,115,000	6,055,000	(1,130,000)	9,040,000	1,160,000
Bond premium	67,859	899,872	(53,607)	914,124	-
Certificates of participation	-	32,444,245	-	32,444,245	1,177,386
Net pension liability	44,506,341	4,080,129	-	48,586,470	-
Net OPEB liability	<u>1,101,625</u>	<u>7,885</u>	<u>-</u>	<u>1,109,510</u>	<u>-</u>
Total	<u>\$ 49,977,409</u>	<u>\$ 43,487,131</u>	<u>\$ (1,347,835)</u>	<u>\$ 92,116,705</u>	<u>\$ 2,337,386</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension and OPEB liabilities. Payments on the bonds and certificates of participation are made in the Bond Redemption Fund.

Bonds Payable

\$5,330,000 general obligation refunding bonds, dated June 2012, due in annual installments beginning in fiscal year 2013 ranging from \$50,000 to \$880,000; variable annual interest rates ranging from 2.00% to 3.00%; payable semi-annually on June 1st and December 1st.

\$ 1,835,000

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G – Long-term debt (Continued)

\$1,685,000 general obligation refunding bonds, dated December 1, 2015, due in annual installments beginning in fiscal year 2018 ranging from \$265,000 to \$870,000; variable annual interest rates ranging from 2.00% to 4.00%; payable semi-annually on June 1 st and December 1 st .	1,150,000
\$6,055,000 general obligation bonds, dated October 30, 2017, due in annual installments beginning in fiscal year 2022 ranging from \$250,000 to \$500,000; varying annual interest rates from 3.00% to 5.00%, payable semi-annually on June 1 st and December 1 st .	<u>6,055,000</u>
Total general obligation bonds	<u>\$ 9,040,000</u>

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,160,000	\$ 339,756	\$ 1,499,756
2020	1,185,000	304,631	1,489,631
2021	640,000	272,906	912,906
2022	250,000	259,556	509,556
2023	260,000	251,906	511,906
2024-2028	1,440,000	1,096,532	2,536,532
2029-2033	1,805,000	720,157	2,525,157
2034-2038	<u>2,300,000</u>	<u>227,047</u>	<u>2,527,047</u>
Totals	<u>\$ 9,040,000</u>	<u>\$ 3,472,491</u>	<u>\$ 12,512,491</u>

Prior year defeasance of debt

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$3,120,000 of bonds outstanding are considered defeased.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G – Long-term debt (Continued)

Certificates of participation

In December 2017, the District issued \$32,444,245 Certificates of Participation, Series 2017. Principal payments are due in annual installments beginning in fiscal year 2019 ranging from \$1,177,386 to \$2,184,848; fixed annual interest rate of 3.390%, payable semi-annually on June 1st and December 1st.

The following schedule represents the District’s debt service requirements to maturity for all outstanding certificates of participation indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 1,177,386	\$ 1,079,903	\$ 2,257,289
2020	1,198,968	1,039,624	2,238,592
2021	1,239,613	998,290	2,237,903
2022	1,281,636	955,555	2,237,191
2023	1,325,084	911,371	2,236,455
2024-2028	7,330,464	3,839,859	11,170,323
2029-2033	8,660,124	2,487,660	11,147,784
2034-2038	<u>10,230,970</u>	<u>890,189</u>	<u>11,121,159</u>
Totals	<u>\$ 32,444,245</u>	<u>\$ 12,202,451</u>	<u>\$ 44,646,696</u>

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

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 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.

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. Section 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.

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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. Section 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:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,379,368 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$48,586,470 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.1503 percent, which was an increase of 0.0008 percent from its proportion measured as of December 31, 2016.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2018, the District recognized pension expense of \$9,812,064. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 891,203	\$ -
Changes of assumptions or other inputs	12,361,557	77,698
Net difference between projected and actual earnings on pension plan investments	959,169	2,871,239
Changes in proportion and differences between contributions recognized and proportionate share of contributions	239,769	245,381
Contributions subsequent to the measurement date	<u>711,735</u>	<u>-</u>
Total	<u>\$ 15,163,433</u>	<u>\$ 3,194,318</u>

\$711,735 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2019	\$ 7,493,427
2020	4,414,342
2021	67,421
2022	<u>(717,810)</u>
Totals	<u>\$ 11,257,380</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimate 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 or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

	1% Decrease <u>(3.78%)</u>	Current Discount Rate <u>(4.78%)</u>	1% Increase <u>(5.78%)</u>
Proportionate share of the net pension liability	<u>\$ 61,372,976</u>	<u>\$ 48,586,470</u>	<u>\$ 38,166,929</u>

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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 the 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 year end, the District reported a liability of \$48,586,470 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

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%	\$21,950,946

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 \$22,680,468 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 District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report which includes additional information on the Voluntary Investment Program. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$51,442 for the Voluntary Investment Program.

Note J – Defined benefit other post-employment benefit (OPEB) plan

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 outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/ deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

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 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. Section 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (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 the 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. Section 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 charges 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 the 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (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 District were \$74,502 for the year ended.

OPEB liabilities, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB

At year-end, the District reported a liability of \$1,109,510 for its proportionate share of the net OPEB liability. The net pension OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0854 percent, which was an increase of 0.0004 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$87,475. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 5,247	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	18,562
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,402	-
Contributions subsequent to the measurement date	<u>37,949</u>	<u>-</u>
Total	<u>\$ 47,598</u>	<u>\$ 18,562</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

\$37,949 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended</u> <u>June 30, _____</u>	<u>Amount</u>
2019	\$ (2,745)
2020	(2,745)
2021	(2,745)
2022	(2,745)
2023	1,896
2024	<u>171</u>
Totals	<u>\$ (8,913)</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

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

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

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 show 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.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

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

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

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

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (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.

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:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	<u><u>100.00%</u></u>	

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	<u>3.25%</u>	<u>4.25%</u>	<u>5.25%</u>
Net OPEB Liability	\$ 1,078,983	\$ 1,109,510	\$ 1,146,277

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:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>1,247,438</u>	\$ <u>1,109,510</u>	\$ <u>991,784</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note J – Defined benefit other post-employment benefit (OPEB) (Continued)

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.

Payables to the OPEB plan

The District did not report any payables to the OPEB plan at year-end.

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 participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$145,174. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$540,000 for the emergency reserve.

Environmental Remediation Loss Contingency

Two of the District's school buildings contain asbestos, and the District is a potentially responsible party regarding environmental impacts. Although a loss is probable at some point in the future, due to the uncertainty surrounding the timing and method of settlement, it is not possible to reasonably estimate the amount of any obligation for remediation that may be incurred at a future date.

Note M – Joint venture

The District participates in the Centennial Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

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

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Centennial Board of Cooperative Educational Services are available by contacting their administrative office in Greeley, Colorado.

For the year, the District's contribution was \$85,913.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note N – Prior period restatement

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net OPEB liability of PERA's Health Care Trust Fund (see Note J), as well as OPEB expense, and to report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The District has reduced the beginning net position of its governmental activities by \$1,067,501 due to the adoption of this statement.

Note O – Construction commitments

The District began a construction project to build a new facility during the 2017-2018 school year at an estimated cost of \$60,081,935, funded in part with local bond funds as well as state BEST Grant funds. At year-end, the District had approximately \$51,532,468 in uncompleted construction contracts, which will be paid from remaining local bond funds as well as BEST Grant funds.

Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District’s Proportionate Share of the Net Pension Liability – PERA’s School Division Trust Fund
- Schedule of District Contributions – PERA’s School Division Trust Fund
- Schedule of the District’s Proportionate Share of the Net OPEB Liability – PERA’s Health Care Trust Fund
- Schedule of District Contributions – PERA’s Health Care Trust Fund
- Notes to the Required Supplementary Information

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 9,371,690	\$ 9,371,690	\$ 10,984,510	\$ 1,612,820
Intermediate sources	4,200	4,200	4,799	599
State sources	5,471,258	5,471,258	4,992,949	(478,309)
Federal sources			5,576	5,576
Total revenues	14,847,148	14,847,148	15,987,834	1,140,686
Expenditures				
Instruction	7,471,557	7,471,557	7,054,972	416,585
Supporting services	6,738,801	6,738,801	5,991,411	747,390
Debt service				
Principal retirement	114,356	114,356	152,281	(37,925)
Interest and fiscal charges	8,096	8,096	8,120	(24)
Total expenditures	14,332,810	14,332,810	13,206,784	1,126,026
Excess of revenues over (under) expenditures	514,338	514,338	2,781,050	2,266,712
Other financing sources (uses)				
Transfers out	(163,725)	(163,725)	(86,459)	77,266
Total other financing sources (uses)	(163,725)	(163,725)	(86,459)	77,266
Net change in fund balance	\$ 350,613	\$ 350,613	2,694,591	\$ 2,343,978
Fund balance at beginning of year			7,152,055	
Fund balance at end of year			\$ 9,846,646	

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BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of the District's Proportionate Share of the Net Pension Liability¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.1503%	0.1495%	0.1483%	0.1588%
District's proportionate share of the net pension liability	\$ 48,586,470	\$ 44,506,341	\$ 22,679,462	\$ 21,526,445
District's covered payroll	\$ 6,930,991	\$ 6,708,983	\$ 6,462,300	\$ 6,653,306
District's proportionate share of the net pension liability as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.55%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%

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

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

0.1641%

\$ 20,929,143

\$ 6,614,834

316.40%

64.08%

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of District Contributions¹
PERA's School Division Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,379,368	\$ 1,231,343	\$ 1,180,856	\$ 1,092,427
Contributions in relation to the contractually required contribution	<u>(1,379,368)</u>	<u>(1,231,343)</u>	<u>(1,180,856)</u>	<u>(1,092,427)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,304,164	\$ 6,699,481	\$ 6,658,930	\$ 6,475,789
Contributions as a percentage of covered payroll	18.88%	18.38%	17.73%	16.87%

¹ Information is not available prior to June 30, 2014. In future reports, additional years will be added until 10 years of historical data are presented.

June 30, 2014

\$ 1,068,224

(1,068,224)

\$ -

\$ 6,684,513

15.98%

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of the District's Proportionate Share of the Net OPEB Liability¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
District's proportion of the net OPEB liability	0.0854%	0.0850%
District's proportionate share of the net OPEB liability	\$ 1,109,510	\$ 1,101,625
District's covered payroll	\$ 6,930,991	\$ 6,708,983
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

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

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of District Contributions¹
PERA's Health Care Trust Fund
June 30, 2018

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Contractually required contribution	\$ 74,502	\$ 68,335
Contributions in relation to the contractually required contribution	<u>(74,502)</u>	<u>(68,335)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 7,304,164	\$ 6,699,481
Contributions as a percentage of covered payroll	1.02%	1.02%

¹ Information is not available prior to June 30, 2017. In future reports, additional years will be added until 10 years of historical data are presented.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension and OPEB schedules

Information about factors that significantly affect trends in the amounts reported in the Schedules of the District's Proportionate Share of the Net Pension and OPEB Liabilities and the Schedules of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

The other supplementary information presents a summary of the financial position of all funds of a given segment and the operating results of the same funds. The individual fund statements and schedules present information when only one fund exists.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 8,577,662	\$ 8,577,662	\$ 8,972,183	\$ 394,521
Specific ownership taxes	662,628	662,628	1,201,305	538,677
Delinquent taxes and interest	4,500	4,500	5,728	1,228
Tuition	17,000	17,000	32,436	15,436
Other transportation			1,068	1,068
Earnings on investments	10,000	10,000	90,357	80,357
Other revenues	99,900	99,900	681,433	581,533
Total local sources	9,371,690	9,371,690	10,984,510	1,612,820
Intermediate sources				
Mineral lease	2,900	2,900	2,819	(81)
County impact assistance	1,300	1,300	1,980	680
Total intermediate sources	4,200	4,200	4,799	599
State sources				
State equalization	4,962,626	4,962,626	4,418,652	(543,974)
Vocational education	25,000	25,000	43,299	18,299
ELPA professional development	50,000	50,000	40,678	(9,322)
English language proficiency			30,078	30,078
Transportation	100,000	100,000	101,313	1,313
READ act	55,000	55,000	65,933	10,933
State grants for libraries	4,000	4,000	4,000	-
Small rural schools funding	254,857	254,857	257,873	3,016
At-risk funding			11,348	11,348
Services within the BOCES	19,775	19,775	19,775	-
Total state sources	5,471,258	5,471,258	4,992,949	(478,309)
Federal sources				
Race to the top			5,576	5,576
Total revenues	\$ 14,847,148	\$ 14,847,148	\$ 15,987,834	\$ 1,140,686

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BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 5,169,458	\$ 5,169,458	\$ 4,641,543	\$ 527,915
Employee benefits	1,628,756	1,628,756	1,784,884	(156,128)
Purchased services	472,355	472,355	412,079	60,276
Supplies and materials	184,195	184,195	159,940	24,255
Property	15,613	15,613	54,805	(39,192)
Other	1,180	1,180	1,721	(541)
Total instruction	7,471,557	7,471,557	7,054,972	416,585
Supporting services				
Students				
Salaries	260,982	260,982	294,683	(33,701)
Employee benefits	108,917	108,917	113,021	(4,104)
Supplies and materials	4,150	4,150	5,110	(960)
Total students	374,049	374,049	412,814	(38,765)
Instructional staff				
Salaries	92,245	92,245	95,261	(3,016)
Employee benefits	50,106	50,106	47,935	2,171
Purchased services	50,000	50,000	112,931	(62,931)
Supplies and materials	40,833	40,833	18,077	22,756
Total instructional staff	233,184	233,184	274,204	(41,020)
General administration				
Salaries	212,580	212,580	261,944	(49,364)
Employee benefits	60,014	60,014	74,131	(14,117)
Purchased services	426,625	426,625	167,602	259,023
Supplies and materials	277,349	277,349	213,494	63,855
Other	136,500	136,500	24,828	111,672
Total general administration	1,113,068	1,113,068	741,999	371,069

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	943,939	943,939	760,934	183,005
Employee benefits	275,859	275,859	270,191	5,668
Purchased services	5,560	5,560	3,193	2,367
Supplies and materials	26,212	26,212	13,949	12,263
Property	10,000	10,000	10,858	(858)
Other	4,518	4,518	339	4,179
Total school administration	1,266,088	1,266,088	1,059,464	206,624
Business services				
Salaries	30,311	30,311	25,373	4,938
Employee benefits	13,172	13,172	11,491	1,681
Purchased services	16,562	16,562	23,623	(7,061)
Supplies and materials	11,025	11,025	8,049	2,976
Other			12,204	(12,204)
Total business services	71,070	71,070	80,740	(9,670)
Operations and maintenance				
Salaries	471,966	471,966	463,313	8,653
Employee benefits	189,568	189,568	195,757	(6,189)
Purchased services	337,213	337,213	244,293	92,920
Supplies and materials	520,000	520,000	533,728	(13,728)
Property	793,237	793,237	62,408	730,829
Total operations and maintenance	2,311,984	2,311,984	1,499,499	812,485
Student transportation				
Salaries	271,147	271,147	219,410	51,737
Employee benefits	100,012	100,012	92,986	7,026
Purchased services	40,918	40,918	42,778	(1,860)
Supplies and materials	145,000	145,000	118,520	26,480
Property	1,000	1,000	140,786	(139,786)
Total student transportation	558,077	558,077	614,480	(56,403)

(Continued)

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

(Continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support				
Salaries	138,788	138,788	158,519	(19,731)
Employee benefits	49,813	49,813	50,991	(1,178)
Purchased services	417,680	417,680	302,974	114,706
Supplies and materials	35,000	35,000	30,699	4,301
Property	170,000	170,000	253,911	(83,911)
Total central support	811,281	811,281	797,094	14,187
Enterprise operations				
Salaries			346,990	(346,990)
Employee benefits			164,127	(164,127)
Total enterprise operations	-	-	511,117	(511,117)
Total supporting services	6,738,801	6,738,801	5,991,411	747,390
Debt service				
Principal retirement	114,356	114,356	152,281	(37,925)
Interest and fiscal charges	8,096	8,096	8,120	(24)
Total debt service	122,452	122,452	160,401	(37,949)
Total expenditures	<u>\$ 14,332,810</u>	<u>\$ 14,332,810</u>	<u>\$ 13,206,784</u>	<u>\$ 1,126,026</u>

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District's full-day kindergarten program.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds			Totals
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	
Assets				
Cash	\$ 168,738			\$ 168,738
Cash with fiscal agent			\$ 307	307
Due from other funds			58,882	58,882
Property taxes receivable			7,925	7,925
Grants receivables		\$ 84,351		84,351
Inventory	39,886			39,886
Total assets	\$ 208,624	\$ 84,351	\$ 67,114	\$ 360,089
Liabilities				
Due to other funds	\$ 3,172	\$ 32,949		\$ 36,121
Accounts payable	8,856			8,856
Accrued salaries and benefits	16,375	51,197	\$ 64,976	132,548
Payroll withholdings	37	205	231	473
Total liabilities	28,440	84,351	65,207	177,998
Deferred inflows of resources				
Deferred property tax revenues			1,907	1,907
Fund balance				
Nonspendable for inventory	39,886			39,886
Restricted for food service	140,298			140,298
Total fund balance	180,184	-	-	180,184
Total liabilities, deferred inflows of resources and fund balance	\$ 208,624	\$ 84,351	\$ 67,114	\$ 360,089

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2018

	Special Revenue Funds			Totals
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	
Revenues				
Local sources	\$ 234,888		\$ 249,646	\$ 484,534
Intermediate sources			55	55
State sources	15,278			15,278
Federal sources	555,754	\$ 315,184		870,938
Total revenues	805,920	315,184	249,701	1,370,805
Expenditures				
Instruction		315,184	335,546	650,730
Supporting services	716,079		614	716,693
Total expenditures	716,079	315,184	336,160	1,367,423
Excess of revenues over (under) expenditures	89,841	-	(86,459)	3,382
Other financing sources				
Transfers in			86,459	86,459
Net change in fund balance	89,841	-	-	89,841
Fund balance at beginning of year	90,343	-	-	90,343
Fund balance at end of year	\$ 180,184	\$ -	\$ -	\$ 180,184

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 225,000	\$ 225,000	\$ 234,888	\$ 9,888
State sources	18,243	18,243	15,278	(2,965)
Federal sources	513,528	578,528	555,754	(22,774)
Total revenues	756,771	821,771	805,920	(15,851)
Expenditures				
Supporting services				
Salaries	85,428	85,428	69,593	15,835
Employee benefits	38,814	38,814	29,266	9,548
Purchased services	315,414	315,414	307,421	7,993
Supplies and materials	325,000	390,000	308,490	81,510
Property	12,000	12,000	150	11,850
Other	1,500	1,500	1,159	341
Total expenditures	778,156	843,156	716,079	127,077
Excess of revenues over (under) expenditures	(21,385)	(21,385)	89,841	111,226
Other financing sources				
Transfers in	13,459	13,459		(13,459)
Net change in fund balance	\$ (7,926)	\$ (7,926)	89,841	\$ 97,767
Fund balance at beginning of year			90,343	
Fund balance at end of year			\$ 180,184	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Designated Purpose Grants Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources				
Title I Part A		\$ 165,000	\$ 85,060	\$ (79,940)
National school lunch equipment			4,282	4,282
Services within the BOCES	\$ 256,667	256,667	225,842	(30,825)
Total revenues	256,667	421,667	315,184	(106,483)
Expenditures				
Instruction				
Salaries	200,530	210,143	170,936	39,207
Employee benefits	92,244	94,225	57,933	36,292
Purchased services	3,000	76,343	73,344	2,999
Supplies and materials	20,000	20,123	8,689	11,434
Property			4,282	(4,282)
Appropriated reserves		79,940		79,940
Total instruction	315,774	480,774	315,184	85,650
Excess of revenues over (under) expenditures	(59,107)	(59,107)	-	59,107
Other financing sources				
Transfers in	59,107	59,107		(59,107)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Full-Day Kindergarten Mill Levy Override Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 249,866	\$ 249,866	\$ 249,249	\$ (617)
Specific ownership taxes			241	241
Delinquent taxes and interest			156	156
Intermediate sources			55	55
Total revenues	249,866	249,866	249,701	(165)
Expenditures				
Instruction				
Salaries	251,450	251,450	248,518	2,932
Employee benefits	78,950	78,950	77,048	1,902
Supplies	10,000	10,000	9,980	20
Total instruction	340,400	340,400	335,546	4,854
Supporting services				
Purchased services	625	625	614	11
Total expenditures	341,025	341,025	336,160	4,865
Excess of revenues over (under) expenditures	(91,159)	(91,159)	(86,459)	4,700
Other financing sources				
Transfers in	91,159	91,159	86,459	(4,700)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

Budgetary Comparison Schedule – Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 3,539,985	\$ 3,539,985	\$ 3,524,917	\$ (15,068)
Delinquent taxes and interest			1,152	1,152
Interest on investments	4,000	4,000	27,481	23,481
Intermediate sources	300	300	780	480
Total revenues	3,544,285	3,544,285	3,554,330	10,045
Expenditures				
Debt service				
Principal retirement	1,560,000	1,560,000	1,130,000	430,000
Interest and fiscal charges	360,000	360,000	788,026	(428,026)
Total expenditures	1,920,000	1,920,000	1,918,026	1,974
Net change in fund balance	\$ 1,624,285	\$ 1,624,285	1,636,304	\$ 12,019
Fund balance at beginning of year			2,029,900	
Fund balance at end of year			\$ 3,666,204	

Budgetary Comparison Schedule - Capital Projects Fund

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Building Fund – This fund is a capital projects fund used to account for the revenues from a bond issuance and BEST grant funds for the purpose of the acquisition or construction of major capital facilities.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Building Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Interest on investments			\$ 77,850	\$ 77,850
State sources				
BEST capital construction			4,017,039	4,017,039
Total revenues	-	-	4,094,889	4,094,889
Expenditures				
Capital outlay				
Purchased services			2,938,631	(2,938,631)
Supplies			532	(532)
Property			5,926,618	(5,926,618)
Debt service				
Bond issuance costs			146,202	(146,202)
Appropriated reserves		16,000,000		16,000,000
Total expenditures	-	16,000,000	9,011,983	6,988,017
Excess of revenues over (under) expenditures	-	(16,000,000)	(4,917,094)	11,082,906
Other financing sources				
Proceeds from debt issuance		16,000,000	38,499,245	22,499,245
Premium on bonds			899,872	899,872
Total other financing sources	-	16,000,000	39,399,117	23,399,117
Net change in fund balance	\$ -	\$ -	34,482,023	\$ 34,482,023
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 34,482,023	

Budgetary Comparison Schedules - Fiduciary Funds

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

Agency fund – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Scholarship Trust Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 77	\$ 77
Contributions	\$ 170,000	\$ 170,000	107,833	(62,167)
Total revenues	170,000	170,000	107,910	(62,090)
Expenditures				
Scholarship awards	170,000	170,000	98,800	71,200
Total expenditures	170,000	170,000	98,800	71,200
Excess of revenues over (under) expenditures	\$ -	\$ -	9,110	\$ 9,110
Net position at beginning of year			269,655	
Net position at end of year			\$ 278,765	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 500,000	\$ 530,000	\$ 510,420	\$ (19,580)
Total additions	500,000	530,000	510,420	(19,580)
Deductions				
Pupil activity expenditures	500,000	530,000	521,415	8,585
Total deductions	500,000	530,000	521,415	8,585
Excess of additions over (under) deductions	\$ -	\$ -	(10,995)	\$ (10,995)
Due to student groups at beginning of year			233,902	
Due to student groups at end of year			\$ 222,907	

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**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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**LAUER, SZABO &
ASSOCIATES, PC**

Certified Public Accountants

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Phone 970-522-2218 • FAX 970-522-2220

Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

We have audited the financial statements of the Brush School District No. RE-2(J) (the District) as of and for the year ended June 30, 2018, and our report thereon dated December 4, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
December 4, 2018



Colorado Department of Education

Auditors Integrity Report

District: 2395 - BRUSH RE-2(0)

Fiscal Year 2017-18

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	7,152,055	15,901,375	13,206,784	9,846,646
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	7,152,055	15,901,375	13,206,784	9,846,646
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	90,343	805,920	716,079	180,184
22 Govt Designated-Purpose Grants Fund	0	315,184	315,184	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	336,160	336,160	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	2,029,900	3,554,330	1,918,026	3,666,204
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	43,494,005	9,011,983	34,482,023
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	9,272,299	64,406,973	25,504,215	48,175,057
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	269,655	107,910	98,800	278,765
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	233,902	510,420	521,415	222,907
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	503,557	618,330	620,215	501,672

FINAL