



Estes Park School District No. R-3

**Financial Statements and Supplementary
Information**

For the Year Ended June 30, 2018

Estes Park School District No. R-3

Contents

Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 8
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10
Fund Financial Statements:	
Balance Sheet - Governmental Funds	11
Reconciliation of the Governmental Funds Balance Sheet with the Government-wide Statement of Net Position	12
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	13
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities	14
Statement of Fiduciary Net Position	15
Notes to Financial Statements	16 - 47
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	48
Budgetary Comparison Schedule - Designated Purpose Grants Fund	49 - 50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of District Contributions - Pension	52
Schedule of the District's Proportionate Share of the Net OPEB Liability	53
Schedule of District Contributions - OPEB	54
Notes to Required Supplementary Information	55 - 56
Other Supplementary Information - Combining and Individual Fund Financial Statements:	
Major Governmental Fund:	
Budgetary Comparison Schedule - Bond Redemption Fund	57
Nonmajor Governmental Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	58
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Nonmajor Governmental Funds	59
Budgetary Comparison Schedule - Food Service Fund	60
Budgetary Comparison Schedule - Outreach Fund	61
Budgetary Comparison Schedule - Capital Reserve Capital Projects Fund	62
Agency funds:	
Combining Statement of Assets and Liabilities - Agency Funds	63
Combining Schedule of Additions, Deductions and Changes in Fund Liabilities - Agency Funds	64

Estes Park School District No. R-3

Contents

Budgetary Comparison Schedule - Scholarship Agency Fund	65
Budgetary Comparison Schedule - Pupil Activity Agency Fund	66
Colorado Department of Education Supplementary Schedule	
Auditor's Integrity Report	67
Federal Reporting	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	68 - 69
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance	70 - 71
Schedule of Findings and Questioned Costs	72 - 73
Corrective Action Plan	74 -75
Schedule of Expenditures of Federal Awards	76
Notes to Schedule of Expenditures of Federal Awards	77



Independent Auditor's Report

Board of Education
Estes Park School District R-3
Estes Park, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Estes Park School District R-3 (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic 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 Estes Park School District R-3 as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the District has changed its method for accounting and reporting for post-employment benefits other than pensions during 2018 due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions*. The adoption of the standard required retrospective application resulting in a \$1,124,367 reduction of previously reported net position. 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 on pages 3 through 7, budgetary comparison information on pages 47 through 49, and the pension and other post employment benefit schedules on pages 50 through 53 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 as a whole. The combining and individual major and non-major fund financial statements and budgetary comparison information, Auditor's Integrity Report and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual major and non-major fund financial statements, budgetary comparison information, Auditor's Integrity Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Governmental Auditing Standards*, we have also issued our report dated December 20, 2018, on our consideration of the District's internal control over financial reporting and on our tests



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

Anton Collins Mitchell LLP

Greeley, Colorado
December 20, 2018

**Estes Park School District R-3
Management's Discussion and Analysis
June 30, 2018**

This section of Estes Park School District's annual financial report presents its discussion and analysis of the District's financial performance during the year ending June 30, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of Estes Park School District exceeded its assets and deferred outflows of resources at the close of the fiscal year by \$24,741,623 (deficit net position). The deficit net position is due to the posting of the "Net Pension Liability" (NPL) of \$49,937,794 required pursuant to GASB Statement No. 68. The fund financial statements are not impacted by this reporting requirement. It is important to note that the District does not have a responsibility to pay the amount shown as the District's NPL. The District's direct liability is limited to the annually required contributions established by the State Legislature.
- The District's total net position decreased by \$8,297,792.
- General revenues accounted for \$14,014,155 or 88% of the \$15,835,931 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$1,821,776 or 12% of revenues.
- The General Fund ending fund balance reached \$3,764,029, an increase of \$993,521.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund. As part of the District's mid-year budget adjustments the board approved to maintain a \$3,000,000 General Fund balance. The District did go out to the voters in the November 2017 elections to ask for a Mill Levy Override to the maximum allowable under State law forever. This measure was passed by the voters of the District. The District elected to maintain its previously approved override of \$1,921,000 for the tax year ended December 31, 2017 and not increase the mills associated with the override. This decision was made due to a larger than normal assessment of abated taxes that was assessed by Larimer County of \$1,201,372 compared to \$38,757 in 2016.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of four components: (1) government-wide financial statements, (2) fund financial statements, (3) notes to the financial statements and, (4) required supplementary information. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide stakeholders (e.g. taxpayers, state and federal government agencies, and the Board of Education) with a relevant and reliable overview of the District's finances; to assist the reader in their assessment of how the District's resources are acquired and used; to determine whether current resources were sufficient to meet current costs, and to determine whether the District's ability to provide educational services improved or deteriorated from the previous year. With the inclusion of the Net Pension Liability (NPL), stakeholders are provided additional information regarding the unfunded liability status of PERA of Colorado. Though this NPL is not the responsibility of the District, it does provide greater information to the Colorado State Legislature and the District's governmental leadership assisting them in future decisions regarding the School Division Trust Fund associated with PERA.

The statement of net position includes all of the District's assets and deferred outflow of resources and liabilities and deferred inflow of resources, with the difference between the two reported as net

**Estes Park School District R-3
Management's Discussion and Analysis
June 30, 2018**

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. Though the net position of the District is negative, this occurrence is only due to the posting of the District's proportionate share of the PERA unfunded liability. Again, the District does not have any control over the funding level of the PERA School Division Trust Fund (SCHDTF) nor any control over the investment policies and activities associated with this trust.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). The governmental activities of the District include instruction and education support services of the District.

The majority of the District's basic services are included here, such as instruction, transportation, maintenance and operations, administration, the food service program, debt service and capital projects. Taxes and intergovernmental revenues principally support these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The District has two types of funds: governmental funds and agency funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's program.

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. Thus, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and change in fund balances provide reconciliation to the government-wide financial statements in order to facilitate this comparison between governmental funds and governmental activities.

The District maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the General Fund, Designated Purpose Fund and the Bond Redemption Fund, which are considered to be major funds. Data for the other five governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these minor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 9 - 15 of this report.

**Estes Park School District R-3
Management's Discussion and Analysis
June 30, 2018**

Agency Funds

Agency funds are used to count for resources held for the benefit of parties outside the school district. Agency funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for agency funds is much like that used for proprietary funds. The basic agency fund financial statements can be found on page 63 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 16 - 47 of this report.

Other information

In addition to the basic financial statements, this report also presents required supplementary information and other supplementary information concerning the District's annual appropriated budgets with comparison schedules that demonstrate compliance with budgets and required schedule of District's proportionate share of the Net Pension Liability and schedule of District Contributions. This information may be found on pages 48 - 67.

Financial Analysis of the School District as a Whole

The following table provides a summary of the governmental net position as of June 30, 2018. Comparative data for June 30, 2017 is also presented. This statement reports that liabilities plus deferred inflow of resources exceeded assets plus deferred outflow of resources by \$27,741,623.

The largest portion of the District's assets, about 81%, reflects investment in capital assets less accumulated depreciation. The largest portion of current assets, predominately investments, is reported in the General Fund. The investment balances are held for TABOR and Board of Education required reserves as well as the carry-over balances for school and departments. Other large portions of current assets include cash with fiscal agent and receivables. The cash with fiscal agent is largely reported in the Bond Redemption Fund and is available to make the required debt service payments. Receivables are predominately related to property taxes receivable which are levied in December and received in the third quarter of the school year usually between March and June.

	2018	2017
Current and other assets	\$6,452,864	\$5,007,215
Capital assets	26,812,069	27,399,172
Total assets	33,264,933	32,406,387
Deferred outflows of resources	15,957,038	18,871,544
Total assets and deferred outflows of resources	\$49,221,971	\$51,277,931
Long-term liabilities	71,030,221	66,530,094
Other liabilities	872,272	650,477
Total liabilities	71,902,493	67,180,571
Deferred inflows of resources	2,061,101	541,191
Net position:		
Net investment in capital assets	8,151,639	7,690,155
Restricted	1,758,086	1,648,750
Unrestricted (deficit)	(34,651,348)	(25,782,736)
Total net position	(27,741,623)	(16,443,831)
Total liabilities, deferred inflows of resources and net position	\$49,221,971	\$51,277,931

**Estes Park School District R-3
Management's Discussion and Analysis
June 30, 2018**

Following is a summary of the District's change in net position. The District receives its revenues from local property taxes, intergovernmental sources through the state and federal government, charges for services rendered, returns on investment and several other minor sources.

	2018	2017
Revenues		
Charges for services	\$191,869	\$219,290
Operating Grants	1,629,907	1,398,404
Interest earned	31,616	13,259
Property taxes and specific ownership taxes	13,801,985	11,157,081
State categorical aid	65,024	270,659
Other	115,530	342,604
Total Revenues	15,835,931	\$13,401,297
Expenses		
Instruction	\$12,776,726	\$11,408,601
Student and Instructional services	2,026,509	1,535,795
Administration and Business	2,696,880	2,506,800
Operations and Maintenance	1,434,077	1,331,569
Student transportation	947,830	843,990
Other	3,127,334	3,864,634
Total Expenses	\$23,009,356	\$21,491,389
Change in net position	<u>\$(7,173,425)</u>	<u>\$(8,090,092)</u>

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the District received \$8,064 per funded student. In fiscal year 2017-2018 the funded pupil count was 1,071.9. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The District receives approximately .79 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation levied for general purposes generated \$11,080,026 in property taxes for fiscal year 2017-2018.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets as of June 30, 2018 amounts to \$26,812,069 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, and capital leases all with an original cost greater than \$5,000.

Capital asset additions during the current fiscal year include the following:

- Construction in progress \$208,198
- Building and improvements \$79,080
- Furniture and equipment \$29,901

The District's total capital assets at June 30, 2018 net of accumulated depreciation were as follows:

	2018	2017
Land and land improvements	\$869,458	\$873,773
Building and improvements	25,049,438	25,501,987
Furniture and equipment	601,594	648,646
Licensed vehicles	291,579	374,766
Total capital assets	<u>\$26,812,069</u>	<u>\$27,399,172</u>

**Estes Park School District R-3
Management's Discussion and Analysis
June 30, 2018**

Additional information on the District's capital assets can be found in Note 6, page 27, in the basic financial statements.

Long-Term Debt

At year-end, the District's total long-term debt of \$71,030,221 consisted of the following:

	2018	2017
Bonds payable	\$18,715,000	\$19,795,000
Net pension liability	49,937,794	45,425,121
Unamortized bond premium	991,615	1,080,781
Net OPEB liability	1,140,513	-
Accrued compensated absences	245,299	229,192
Total long-term debt	\$71,030,221	\$66,530,094

Additional information on the District's long-term debt can be found in Note 9, pages 28, in the basic financial statements.

Economic Factors

The District General Fund revenue continues to be impacted at the State level through the budget stabilization factor which reduces total program funding. In fiscal year 2018 the District's budget stabilization factor was \$1,072,761 which resulted in per pupil funding amount of \$8,063.62. In the past the District has experienced declining enrollment but has started to experience a leveling in student count. Due to factors related to the high cost of living, a lack of affordable housing, and insufficient opportunities for year-long employment, it is predicted that student enrollment will continue to remain level or decrease in subsequent school years.

Governmental Funds

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

As of the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$5,298,243, an increase of \$1,118,524. The General Fund had a fund balance increase of \$993,521.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions or need additional information, please contact the Estes Park School District R-3 Administration Office at 1605 Brodie Avenue, Estes Park, Colorado 80517.

Estes Park School District R-3
Statement of Net Position
June 30, 2018

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 319,520
Cash with fiscal agent	1,477,770
Investments	3,358,875
Receivables	1,267,684
Inventory	29,015
Capital assets, not being depreciated	586,433
Capital assets, being depreciated, net of depreciation	26,225,636
Total assets	33,264,933
Deferred outflows of resources	
Deferred outflows of resources relating to pensions	14,610,269
Deferred outflows of resources relating to OPEB	55,285
Deferred loss on refunding	1,291,484
Total deferred outflows of resources	15,957,038
Liabilities	
Accounts payable	334,883
Due to fiduciary funds	3,781
Accrued salaries and benefits	448,422
Unearned grant revenue	45,721
Accrued interest payable	48,450
Noncurrent liabilities:	
Due within one year	1,105,000
Due in more than one year	18,846,914
Net OPEB liability	1,140,513
Net pension liability	49,937,794
Total liabilities	71,911,478
Deferred inflows of resources	
Deferred Inflows of resources relating to pensions	2,042,020
Deferred Inflows of resources relating to OPEB	19,081
Total deferred inflows of resources	2,061,101
Net position	
Net investment in capital assets	8,396,938
Restricted for:	
Emergencies	408,000
Preschool program	33,653
Debt Service	1,332,741
Unrestricted	(34,921,940)
Total net position	\$ (24,750,608)

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

Estes Park School District R-3
Statement of Activities
Year Ended June 30, 2018

Functions/programs	Expenses	Program Revenues			Governmental Activities	Net Revenue (Expense) and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		
Governmental activities:						
Instruction	\$ 12,776,726	\$ 22,319	\$ 1,327,466	\$ -		(11,426,941)
Supporting services:						
Students	693,505	-	-	-		(693,505)
Instructional staff	1,333,004	-	11,409	-		(1,321,595)
General administration	700,431	-	-	-		(700,431)
School administration	1,408,198	-	-	-		(1,408,198)
Business services	588,251	-	-	-		(588,251)
Operations and maintenance	1,434,077	-	-	-		(1,434,077)
Student transportation	947,830	-	85,014	-		(862,816)
Central support services	1,034,918	-	-	-		(1,034,918)
Other support services	15,707	33,685	-	-		17,978
Food service	638,887	135,865	206,018	-		(297,004)
Facilities acquisition	77,206	-	-	-		(77,206)
Unallocated depreciation	755,159	-	-	-		(755,159)
Interest and fiscal charges	614,442	-	-	-		(614,442)
Total governmental activities	\$ 23,018,341	\$ 191,869	\$ 1,629,907	\$ -		(21,196,565)

General revenues

Taxes	
Property taxes, levied for general purposes	11,080,026
Property taxes, levied for debt service	1,680,011
Specific ownership taxes:	1,041,948
State categorical aid	65,024
Earnings on investments	31,616
Other	115,530
Total general revenues	14,014,155
Change in net position	(7,182,410)
Net position at beginning of year	(16,443,831)
Cumulative effect of a change in accounting principle (Note 2)	(1,124,367)
Net position at end of year	\$ (24,750,608)

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

Estes Park School District R-3
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Designated Purpose Grants Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 318,920	\$ -	\$ -	\$ 600	\$ 319,520
Cash with fiscal agent	181,404	-	1,296,366	-	1,477,770
Investments	3,358,875	-	-	-	3,358,875
Property taxes receivable	760,821	-	113,257	-	874,078
Due from other funds	529,431	8,985	-	709,203	1,247,619
Grants receivable	-	196,597	-	-	196,597
Other receivables	152,535	-	-	44,474	197,009
Inventory	-	-	-	29,015	29,015
Total assets	\$ 5,301,986	\$ 205,582	\$ 1,409,623	\$ 783,292	\$ 7,700,483
Liabilities, deferred inflows of resources and fund balance					
Liabilities					
Accounts payable	\$ 328,479	\$ 55	\$ -	\$ 6,349	\$ 334,883
Due to other funds	523,796	116,659	35,475	575,470	1,251,400
Accrued salaries and benefits	405,275	43,147	-	-	448,422
Unearned grant revenue	-	45,721	-	-	45,721
Total liabilities	1,257,550	205,582	35,475	581,819	2,080,426
Deferred inflows of resources					
Deferred property tax revenues	289,392	-	41,407	-	330,799
Total deferred inflows of resources	289,392	-	41,407	-	330,799
Fund balance					
Nonspendable for inventory	-	-	-	29,015	29,015
Restricted for:					
Emergencies	408,000	-	-	-	408,000
Preschool program	33,653	-	-	-	33,653
Debt Service	-	-	1,332,741	-	1,332,741
Committed to:					
Capital projects	-	-	-	194,060	194,060
Unassigned	3,313,391	-	-	(21,602)	3,291,789
Total fund balances	3,755,044	-	1,332,741	201,473	5,289,258
Total liabilities, deferred inflows of resources and fund balance	\$ 5,301,986	\$ 205,582	\$ 1,409,623	\$ 783,292	\$ 7,700,483

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

Estes Park School District R-3
Reconciliation of the Governmental Funds
Balance Sheet with the Government-wide Statement of Net Position
June 30, 2018

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

Total fund balance - governmental funds	\$	5,289,258
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Capital assets used in governmental activities are not current financial resources, and therefore, are not reported in the fund financial statements.

Capital assets	\$ 41,611,178	
Less: accumulated depreciation	<u>(14,799,109)</u>	26,812,069

The deferred loss on refunding is not available to satisfy current obligations, and therefore, is not reported as deferred outflows of resources in the fund financial statements.		1,291,484
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Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the fund financial statements.		330,799
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OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reflected in the fund financial statements.

Deferred outflows of resources	\$ 55,285	
Deferred inflows of resources	<u>(19,081)</u>	36,204

Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reflected in the fund financial statements.

Deferred outflows of resources	\$ 14,610,269	
Deferred inflows of resources	<u>(2,042,020)</u>	12,568,249

Long-term liabilities, including bonds payable, net pension and OPEB liabilities and accrued compensated absences, are not due and payable in the current period, and therefore, are not reported as liabilities in the fund financial statements.

Bonds payable	\$ (18,715,000)	
Bond premium	(991,615)	
Accrued interest payable	(48,450)	
Accrued compensated absences	(245,299)	
Net OPEB liability	(1,140,513)	
Net pension liability	<u>(49,937,794)</u>	(71,078,671)

Total net position of governmental activities	\$	<u>(24,750,608)</u>
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The accompanying notes are an integral part of these financial statements.

Estes Park School District R-3
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2018

	General Fund	Designated Purpose Grants Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues					
Local sources	\$ 12,174,411	\$ 18,241	\$ 1,689,396	\$ 170,125	\$ 14,052,173
State sources	864,937	4,453	-	5,666	875,056
Federal sources	-	604,872	-	200,352	805,224
Total revenues	13,039,348	627,566	1,689,396	376,143	15,732,453
Expenditures					
Instruction	6,689,198	332,175	-	-	7,021,373
Supporting services	4,739,823	295,391	-	490,954	5,526,168
Capital Outlay	182,014	-	-	212,371	394,385
Debt service					
Principal	-	-	1,080,000	-	1,080,000
Interest and fiscal charges	-	-	600,988	-	600,988
Total expenditures	11,611,035	627,566	1,680,988	703,325	14,622,914
Excess (deficiency) of revenues over under expenditures	1,428,313	-	8,408	(327,182)	1,109,539
Other financing sources (uses)					
Transfers in	-	8,985	-	434,792	443,777
Transfers out	(443,777)	-	-	-	(443,777)
Total other financing sources (uses)	(443,777)	8,985	-	434,792	-
Net change in fund balance	984,536	8,985	8,408	107,610	1,109,539
Fund balances at beginning of year	2,770,508	(8,985)	1,324,333	93,863	4,179,719
Fund balances at end of year	\$ 3,755,044	\$ -	\$ 1,332,741	\$ 201,473	\$ 5,289,258

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

Estes Park School District R-3
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and
Changes in Fund Balances to the Government-wide Statement of Activities
Year Ended June 30, 2018

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

Total net change in fund balance - governmental funds \$ 1,109,539

Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation. This is the net change resulting from capital outlay and depreciation expense during the current period.

Depreciation expense	\$ (904,282)	
Capital outlay	317,179	(587,103)

Decrease in deferred inflows of resources for property taxes receivable collected after the period of availability. These amounts are included in revenues in the statement of activities. 103,478

Increase in accrued compensated absences liability reflected as an expense on the statement of activities, and not reflected as an expense on the governmental statement of revenues, expenditures and changes in fund balances. (16,107)

Repayments of bond principal are recorded as expenditures in the governmental funds, but as reductions in long-term liabilities in the statement of net position and does not affect the statement of activities. 1,080,000

Decrease in accrued interest payable reflected against interest expense on the statement of activities and not reflected on the governmental fund statement of revenues, expenditures and changes in fund balances. 1,852

Amortization of deferred loss on refunding is included in the statement of activities as interest expense, but is not reflected on the statement of revenues, expenditures and changes in fund balances. (104,472)

Accretion of bond premium is included in the statement of activities against interest expense, but is not reflected on the statement of revenues, expenditures and changes in fund balances. 89,166

Changes in the District's net pension liability, deferred outflows of resources and deferred inflows of resources related to the District's pension plan for the current year are not reported in governmental funds but are included in the statement of activities. (8,878,821)

Changes in the District's net OPEB liability, and deferred outflows of resources and deferred inflows of resources related to the District's OPEB plan for the current year are not reported in governmental funds but are included in the statement of activities. 20,058

Change in net position of governmental activities	\$	(7,182,410)
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The accompanying notes are an integral part of these financial statements.

**Estes Park School District R-3
Statement of Fiduciary Net Position**

June 30, 2018

	Agency Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 236,594
Receivables	157
Prepaid expenses	1,990
Due from other funds	3,781
<hr/>	
Total assets	\$ 242,522
<hr/>	
Liabilities	
Due to scholarship recipients	\$ 47,889
Due to student groups	194,633
<hr/>	
Total liabilities	\$ 242,522
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The accompanying notes are an integral part of these financial statements.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

1. Summary of Significant Accounting Policies

This summary of the Estes Park School District No. R-3's (the "District") 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 ("GAAP"). 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.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

- 1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or
- 2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board.

The District meets the criteria of a primary government: its District Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

The District has examined other entities that could be included as defined in numbers 1 and 2 above. Based on these criteria, the District has no component units.

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 report 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), acquisition or construction of major capital facilities (capital projects fund) and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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 programs funded by grants from federal and state governments, certain capital outlay expenditures, risk-related transactions, debt service, food service operations and pupil activities.

Designated Purpose Grants Fund - This fund is a special revenue fund used to maintain a separate accounting for programs funded by federal, state and local grants that may or may not have a different fiscal period than that of the District.

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.

The following are the District's non-major governmental funds:

Food Service Fund - This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Outreach Fund - This fund is a special revenue fund used to account for the financial activities associated with district efforts to reestablish educational opportunities for students that have interrupted their studies.

Capital Reserve Capital Projects Fund - This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

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 two agency funds: the Scholarship Agency Fund and the Pupil Activity Agency Fund.

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 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.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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 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 fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources 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 balances, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

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.

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.

Non exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period 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 non-exchange transactions must also be available before it can be recognized.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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.

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.

Deferred outflows/inflows of resources - In addition to assets, the statement of net 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 (expense/expenditure) until then. The District's deferred outflows of resources primarily relate to the District's pension and other post-employment benefit plans (see Notes 10 and 11), as well as a deferred loss from refunding of debt.

In addition to liabilities, the statement of net 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. The District's deferred inflows of resources primarily relate to the District's pension and other post-employment benefit plans (see Notes 10 and 11).

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.

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 re-appropriated in the ensuing year's budget.

Cash and Cash with Fiscal Agent

The District considers all highly liquid investments of three months or less to be cash and cash equivalents. Cash with fiscal agent is cash in the Bond Redemption Fund and Cash with the County Treasurer.

Investments

During 2018, the District had investments in local government investment pools. Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Receivables

In the government-wide financial statements, receivables are reported at their gross value and, when appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at June 30, 2018. Property taxes levied on December 31, but not received by June 30, are identified as property taxes receivable and recorded as revenue if they are collected within 60 days of year end.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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.

Inventories

Purchased inventories in the Food Service Fund are stated at costs 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 receipt.

Capital Assets

General capital assets are those assets that 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 balance sheet 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.

Interest is capitalized on assets reported in the governmental activities that are acquired with tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of borrowing until project completion with interest earned on invested proceeds over the same period. No interest was capitalized in the current period.

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:

Description	Estimated Lives
Land improvements	20 years
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	5-10 years

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation 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 vacation leave benefits are paid to employees upon termination of employment.

Annual leave provides a system for paid leave that best serves the needs of district employees while achieving the highest level of budget efficiency and student learning. Annual leave allowances are awarded to employees according to the following schedule:

Years of service	Annual accrual days	Reimbursement factor
0-5 years	9	No factor - Classified employees
5 and over	9	.25 - Classified employees
0-3 years	9	No factor - Certified employees
3-5 years	9	.20 - Certified employees
6-8 years	9	.25 - Certified employees
9-12 years	9	.30 - Certified employees
13 and over	9	.35 - Certified employees

Each employee shall be allowed to accrue annual leave each year until a maximum of 100 days are accrued. Upon separation from the District, employees shall be eligible to receive pay for unused annual leave according to the above reimbursement factor.

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.

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 and special termination benefits that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. 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. Bond premiums, bond discounts, bond insurance costs and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method on the government-wide financial statements.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

Fund Balance

GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

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

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements, enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - 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). 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 - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board has the authority to assign amounts for specific purposes.

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

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.

Net position

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

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

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

Pensions

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill ("SB") 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a 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 disclosures in Note 8 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.

Other Post Employment Benefits

The District participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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.

Interfund Transactions

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 are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Financial Policies and Procedures

The District believes it is in compliance with applicable state requirements, which includes adherence to the accounting policies and procedures described in the financial Policies and Procedures Handbook issued by the Colorado Department of Education.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

2. Adoption of New Accounting Principle

During fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities. The result of the implementation of this standard was to decrease the net position at the beginning of the fiscal year by \$1,124,367, in the governmental activities.

3. Cash and Investments

Cash and Deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Act ("PDPA") for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. The PDPA requires 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 a deposit policy for custodial credit risk. As of year-end, the District had total deposits with financial institutions with a carrying amount of \$554,414. The bank balances with the financial institutions were \$751,856, of which \$296,889 was insured and \$454,967 was collateralized with securities held by the pledging institution's trust department or agent but not in the District's name.

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 United States Government such as treasury bills, notes and bonds
- Obligations of U.S. Government agencies such as securities issued by FNMA, GNMA, and FHLMC
- 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

Local Government Investment Pool - At June 30, 2018, the District had invested approximately \$3.4 million in the Colorado Local Government Liquid Asset Trust (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. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rated commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAM by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest rate risk - The District's investment policy doesn't formally limit investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

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's investment policy does not further limit its investment choices. At year-end, the District's investment in the Trust was rated AAAM by Standard and Poor's.

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

Cash on hand	\$ 1,700
Cash in bank	554,414
Cash with fiscal agent	1,477,770
Investments	3,358,875
Total cash and cash equivalents	\$ 5,392,759

Cash, cash equivalents and investments are presented as follows:

<i>Statement of Net Position</i>	
Cash and cash equivalents	\$ 319,520
Cash with fiscal agent	1,477,770
Investments	3,358,875
<i>Fiduciary Funds</i>	
Cash and cash equivalents	236,594
Total cash and investments	\$ 5,392,759

4. Receivables

Receivables at year-end consist of the following:

	Governmental Activities
Property taxes receivable	\$ 874,078
Grants receivable	196,597
Other receivables	197,009
Total	\$ 1,267,684

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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 the last day of February and June 15th. The counties of Larimer and Boulder 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.

5. Interfund transactions

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

Governmental funds	Interfund Receivables	Interfund Payables
General fund	\$ 529,431	\$ 523,796
Designated purpose grants fund	8,985	116,659
Bond redemption fund	-	35,475
Other governmental funds	709,203	575,470
Subtotal	\$ 1,247,619	\$ 1,251,400

Fiduciary funds	Interfund Receivables	Interfund Payables
Agency fund	\$ 3,781	\$ -
Total	\$ 1,251,400	\$ 1,251,400

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.

Governmental funds	Transfers In	Transfers Out
General fund	\$ -	\$ 443,777
Designated purpose grants fund	8,985	-
Other governmental funds	434,792	-
Total transfers	\$ 443,777	\$ 443,777

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.

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

6. Capital Assets

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

	Balance Beginning	Additions	Deletions/ Transfers	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 378,235	\$ -	\$ -	\$ 378,235
Construction in progress	-	208,198	-	208,198
Total capital assets not being depreciated	378,235	208,198	-	586,433
Capital assets, being depreciated:				
Land improvements	653,397	-	-	653,397
Buildings and improvements	37,304,522	79,080	-	37,383,602
Furniture and equipment	1,666,225	29,901	-	1,696,126
Licensed vehicles	1,291,620	-	-	1,291,620
Total capital assets, being depreciated:	40,915,764	108,981	-	41,024,745
Less accumulated depreciation for:				
Land improvements	(157,859)	(4,315)	-	(162,174)
Building and improvements	(11,802,535)	(739,827)	-	(12,542,362)
Furniture and equipment	(1,017,579)	(76,953)	-	(1,094,532)
Licensed vehicles	(916,854)	(83,187)	-	(1,000,041)
Total accumulated depreciation	(13,894,827)	(904,282)	-	(14,799,109)
Total capital assets being depreciated, net	27,020,937	(795,301)	-	26,225,636
Governmental activities capital assets, net	\$27,399,172	\$ (587,103)	\$ -	\$26,812,069

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

Governmental activities	
Operations and maintenance	\$ 20,978
Student transportation	79,615
Central support services	42,883
Food service	5,647
Unallocated	755,159
Total depreciation expense	\$ 904,282

7. Accrued Salaries and Benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid as of June 30, 2018 is estimated to be \$448,422. Accordingly, these accrued salaries and benefits are reflected as a liability in the accompanying financial statements.

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

8. Short-Term Debt

In an effort to alleviate short-term cash flow issues, the District participated in the State of Colorado's Interest-Free Loan Program, with activity for the current fiscal year as follows:

	Beginning Balance	Borrowings	Repayments	Ending Balance
Short-term debt	\$ -	\$ 2,443,300	\$ (2,443,300)	\$ -

9. Long-term debt

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

	Beginning Balance	Additions	Reductions/ Amortizations	Ending Balance	Amounts Due in One Year
Bonds payable	\$ 19,795,000	\$ -	\$ (1,080,000)	\$ 18,715,000	\$ 1,105,000
Unamortized bond premium	1,080,781	-	(89,166)	991,615	-
Net pension liability	45,425,121	4,512,673	-	49,937,794	-
Net OPEB liability	1,124,367	16,146	-	1,140,513	-
Accrued compensated absences	229,192	216,152	(200,045)	245,299	-
Total long-term debt	\$ 67,654,461	\$ 4,744,971	\$ (1,369,211)	\$ 71,030,221	\$ 1,105,000

The compensated absences will be liquidated by the General Fund and Food Service Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported. The retirement of the bonds payable will be liquidated by the Bond Redemption Fund, while the net pension liability and net OPEB liability attributable to the governmental activities will be liquidated by the General Fund.

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

Bonds Payable

General obligation bonds payable consist of the following individual issues as of June 30, 2018:

<p>\$8,420,000 general obligation refunding bonds, dated March 1, 2012, due in annual installments ranging from \$70,000 to \$710,000; varying annual interest rates ranging from 2.00% to 4.00%; payable semiannually on June 1st and December 1st. The proceeds from the sale of the bonds were used to advance refund bonds prior to maturity and to pay costs of issuance. The bonds mature on December 1, 2031.</p>	7,915,000
<p>\$1,200,000 general obligation bonds, dated May 14, 2014, due in annual installments ranging from \$55,000 to \$85,000; varying annual interest rates ranging from 2.00% to 4.00%; payable semiannually on June 1st and December 1st. The proceeds from the sale of the bonds were used to finance capital projects and to pay costs of issuance. The bonds mature on December 1, 2031.</p>	965,000
<p>\$7,975,000 general obligation refunding bonds, dated December 16, 2014, due in annual installments ranging from \$65,000 to \$690,000; varying annual interest rates ranging from 2.00% to 3.50%; payable semiannually on June 1st and December 1st. The proceeds from the sale of the bonds were used to advance refund bonds prior to maturity and to pay costs of issuance. The bonds mature on December 1, 2028.</p>	6,940,000
<p>\$3,485,000 general obligation refunding bonds, dated January 7, 2015, due in annual installments ranging from \$10,000 to \$835,000; varying annual interest rates ranging from 2.00% to 4.00%; payable semiannually on June 1st and December 1st. The proceeds from the sale of the bonds were used to advance refund bonds prior to maturity and to pay costs of issuance. The bonds mature on December 1, 2031.</p>	2,895,000
<p>Total bonds payable</p>	\$18,715,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 1,105,000	\$ 570,350	\$ 1,675,350
2020	1,130,000	545,500	1,675,500
2021	1,160,000	517,525	1,677,525
2022	1,185,000	486,075	1,671,075
2023	1,215,000	450,775	1,665,775
2024-2028	6,725,000	1,613,580	8,338,580
2029-2031	6,195,000	445,820	6,640,820
<p>Total</p>	<p>\$ 18,715,000</p>	<p>\$ 4,629,625</p>	<p>\$ 23,344,625</p>

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

10. Defined Benefit Pension Plan

Plan Description

Eligible employees of the District are provided with pensions through the School Division Trust Fund – 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

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

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

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers ("CPI-W") for the prior calendar year. Benefit recipients under the PERA benefit structure

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2017

who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

Contributions

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,366,365 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$49,937,794 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016.

Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .15443 percent, which was an increase of .00186 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$10,245,186. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 918,146	\$ -
Net difference between projected and actual earnings on pension plan investments	-	1,961,105
Changes of assumptions or other inputs	12,750,974	80,915
Changes in proportionate share	233,016	-
District contributions subsequent to the measurement date	708,133	-
	\$ 14,610,269	\$ 2,042,020

The \$708,133 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2019	\$ 7,937,017
2020	4,558,564
2021	100,057
2022	(735,522)
	\$ 11,860,116

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

Actuarial assumptions

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

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

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

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

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

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

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

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

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

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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 weighing 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%;
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members;
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions;

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
District's proportionate share of the net pension liability	\$ 63,079,927	\$ 49,937,794	\$ 39,228,456

Pension plan fiduciary net position

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

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

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

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

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

At June 30, 2018, the District reported a net pension liability of approximately \$49,940,000 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.

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%	\$ 22,561,462

Estes Park School District No. R-3
Notes to Financial Statements

June 30, 2018

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 \$23,300,000 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

11. Defined Benefit Other Post Employment Benefits Plan

Plan Description

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

Benefits Provided

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

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

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

PERA Benefit Structure

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

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

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

coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

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

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

Contribution

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were approximately \$75,000 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$1,140,513 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.08776 percent, which was an increase of 0.00104 from its proportion measured as of December 31, 2016.

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

For the year ended June 30, 2018, the District recognized OPEB expense of approximately \$55,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,394	\$ -
Net difference between projected and actual earnings on pension plan investments	-	19,081
Changes in proportionate share	12,134	-
District contributions subsequent to the measurement date	37,757	-
	\$ 55,285	\$ 19,081

The \$37,757 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2019	\$ (1,066)
2020	(1,066)
2021	(1,066)
2022	(1,067)
2023	2,618
Thereafter	94
	\$ (1,553)

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

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

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

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

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

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

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

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

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

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

- 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;

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

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.

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

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

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

Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 1,282,296	\$ 1,140,513	\$ 1,019,498

Discount Rate

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

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

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 1,282,296	\$ 1,140,513	\$ 1,019,498

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.

12. Defined Contribution Pension Plan

Plan Description

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

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$155,929 for the Voluntary Investment Program.

13. Risk Management

Colorado School Districts Self-Insurance Pool

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 "CSDSIP"). The CSDSIP's objectives are to provide member school district defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the CSDSIP for its insurance coverages. The District's contribution for the year was \$79,309.

The District continues to carry commercial insurance for other risks of loss, including employee health insurance and workman's compensation. 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.

Northern Colorado School Districts' Self-Insurance Pool

The purpose of the Northern Colorado School Districts' Self-Insurance Pool (the "Pool") is to provide members workers compensation coverages and to assist members to prevent and reduce losses and injuries to persons or property which might result in claims being made against members of the Pool, their employees or officers.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability of loss, to the limit of the financial resources of the Pool. It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members. The District's contribution for the year was \$109,270.

14. 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"

Estes Park School District No. R-3

Notes to Financial Statements

June 30, 2018

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 requirements by the entire electorate. In November 2000, 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 restricted funds in the General Fund in the amount of \$408,000 for the emergency reserve.

Colorado Local Government Budget Laws

Colorado local government budget laws state that a District shall not expend any moneys in excess of the appropriated by resolution. Expenditures in the Bond Redemption Fund have exceeded their appropriations by \$3,975, which may be a violation of Colorado local government budget laws.

15. 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 separate management which is responsible for day to day operations and is accountable to the separate governing board,
- the 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 of services provided, and
- has absolute authority over all funds and fiscal responsibility, including budgetary responsibility, and reporting to state agencies and controls fiscal management.

This is a jointly governed organization with the District being represented by one member on the governing board of the cooperative. This board has final authority for all budgeting and financing of the joint venture. Separate financial statements of the BOCES are available by contacting their administrative office in Longmont, Colorado.

For the year, the District's financial contribution to the BOCES was \$60,641.

Estes Park School District No. R-3
Notes to Financial Statements
June 30, 2018

16. Subsequent Events

Management of the District has evaluated subsequent events through December 20, 2018, the date these financial statements were available to be issued. No transactions or events that would require adjustment to or disclosures in the financial statements were identified.

Required Supplementary Information

Estes Park School District R-3
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 10,908,220	\$ 12,047,318	\$ 12,174,411	\$ 127,093
Intermediate sources	1,750	1,750	-	(1,750)
State sources	795,871	898,342	864,937	(33,405)
Total revenues	11,705,841	12,947,410	13,039,348	91,938
Expenditures				
Current:				
Instruction	6,489,756	6,681,445	6,689,198	(7,753)
Supporting services	5,083,178	5,564,408	4,739,823	824,585
Capital outlay	37,273	37,273	182,014	(144,741)
Total expenditures	11,610,207	12,283,126	11,611,035	672,091
Deficiency of revenues over expenditures	95,634	664,284	1,428,313	764,029
Other financing uses				
Transfers out	-	-	(443,777)	(443,777)
Total other financing uses	-	-	(443,777)	(443,777)
Net change in fund balance	\$ 95,634	\$ 664,284	984,536	\$ 320,252
Fund balance at beginning of year			<u>2,770,508</u>	
Fund balance at end of year			<u>\$ 3,755,044</u>	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Designated Purpose Grants Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Local Sources	\$ 15,000	\$ 25,000	\$ 18,241	\$ (6,759)
State Sources				
School to work alliance program	72,545	1,220	4,453	3,233
Federal sources				
IDEA Preschool	11,652	11,652	3,443	(8,209)
IDEA Part B	229,775	263,105	207,976	(55,129)
Title I Part A	344,713	342,771	278,980	(63,791)
Title II Part A	49,412	89,181	88,897	(284)
Early Childhood Development	-	-	607	607
Title III	11,409	11,409	11,409	-
Carl Perkins	10,000	10,000	13,560	3,560
Total revenues	\$ 744,506	\$ 754,338	\$ 627,566	\$ (126,772)
Expenditures				
Instruction				
Salaries	233,231	249,750	225,255	24,495
Employee Benefits	84,782	101,593	67,685	33,908
Purchased Services	5,000	5,000	3,510	1,490
Supplies and materials	28,503	110,594	35,725	74,869
Total instruction	351,516	466,937	332,175	134,762
Supporting services				
Students				
Salaries	253,565	182,438	-	182,438
Employee benefits	92,645	69,646	-	69,646
Purchased services	3,613	-	-	-
Supplies and materials	55,667	50,002	-	50,002
Total students	405,490	302,086	-	302,086

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Instructional staff				
Salaries	-	-	138,825	(138,825)
Employee benefits	-	-	125,545	(125,545)
Purchased services	-	-	325	(325)
Supplies and materials	196,485	-	13,235	(13,235)
Total Instructional staff	196,485	-	277,930	(277,930)
General Administration				
Salaries	21,001	-	-	-
Employee benefits	6,422	-	-	-
Purchased services	31,274	-	14,756	(14,756)
Supplies and materials	-	-	2,705	(2,705)
Total general administration	58,697	-	17,461	(17,461)
Total supporting services	660,672	302,086	295,391	6,695
Total expenditures	1,012,188	769,023	627,566	141,457
Excess (deficit) of revenues over expenditures	(267,682)	(14,685)	-	14,685
Transfers in	-	-	8,985	8,985
Net change in fund balance	\$ (267,682)	\$ (14,685)	8,985	\$ 23,670
Fund balance at beginning of year			(8,985)	
Fund balance at end of year			\$ -	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Schedule of the District's Proportionate Share of the Net Pension Liability
Last Ten Years *

December 31,	2017	2016	2015	2014
District's proportion of the net pension liability	0.15443%	0.15257%	0.15400%	0.15100%
District's proportionate share of the net pension liability	\$ 49,937,794	\$ 45,425,121	\$ 23,535,598	\$ 20,493,328
District's covered payroll	\$ 7,124,669	\$ 6,847,484	\$ 6,727,933	\$ 6,500,519
District's proportionate share of the net pension liability as a percentage of its covered payroll	700.91%	663.38%	349.82%	315.26%
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 12/31.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Schedule of District Contributions - Pension
Last Ten Years *

Year Ended June 30,	2018	2017	2016	2015
Statutorily required contribution	\$ 1,366,365	\$ 1,263,041	\$ 1,262,126	\$ 1,166,908
Contributions in relation to the statutorily required contribution	<u>1,366,365</u>	<u>1,263,041</u>	<u>1,262,126</u>	<u>1,166,908</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,234,871	\$ 6,966,581	\$ 6,727,933	\$ 6,500,519
Contributions as a percentage of covered payroll	18.89%	18.13%	18.76%	17.95%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Schedule of the District's Proportionate Share of the Net OPEB Liability
Last Ten Years *

December 31,	2017	2016
District's proportion of the net OPEB liability	0.08776%	0.08672%
District's proportionate share of the net OPEB liability	\$ 1,140,513	\$ 1,124,367
District's covered payroll	\$ 7,124,669	\$ 6,847,484
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 12/31.

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Schedule of District Contributions - OPEB
Last Ten Years *

Year Ended June 30,	2018	2017	2016
Statutorily required contribution	\$ 74,610	\$ 72,672	\$ 69,844
Contributions in relation to the statutorily required contribution	74,610	72,672	69,844
Contribution deficiency (excess)	\$ -	\$ -	\$ -
District's covered payroll	\$ 7,234,871	\$ 6,966,581	\$ 6,727,933
Contributions as a percentage of covered payroll	1.03%	1.04%	1.04%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Estes Park School District No. R-3
Notes to Required Supplementary Information
June 30, 2018

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
- Budgetary Comparison Schedule - Governmental Designated Purpose Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions - Pensions
- Schedule of the District's Proportionate Share of the Net OPEB Liability
- Schedule of District Contributions - OPEB

Estes Park School District No. R-3
Notes to Required Supplementary Information
June 30, 2018

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. Supplemental appropriations were made during the year.
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 Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions - Pensions, Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions - OPEB is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Other Supplementary Information

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Other Supplementary Information

Estes Park School District R-3
Budgetary Comparison Schedule
Bond Redemption Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,672,513	\$ 1,672,513	\$ 1,675,509	2,996
Delinquent taxes and interest	500	500	4,502	4,002
Interest on investments	4,000	4,000	9,385	5,385
Total revenues	1,677,013	1,677,013	1,689,396	12,383
Expenditures				
Debt service				
Principal	1,080,000	1,080,000	1,080,000	-
Interest and fiscal changes	597,013	597,013	600,988	(3,975)
Total expenditures	1,677,013	1,677,013	1,680,988	(3,975)
Net change in fund balance	\$ -	\$ -	8,408	\$ 8,408
Fund balance at beginning of year			1,324,333	
Fund balance at end of year			\$ 1,332,741	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Food Service Fund	Outreach Fund	Capital Reserve Capital Projects Fund	Total
Assets				
Cash	\$ 600	\$ -	\$ -	\$ 600
Due from other funds	334,594	3,034	371,575	709,203
Other receivables	22,440	319	21,715	44,474
Inventory	29,015	-	-	29,015
Total assets	\$ 386,649	\$ 3,353	\$ 393,290	\$ 783,292
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 1,953	\$ 4,396	\$ -	\$ 6,349
Due to other funds	373,718	2,522	199,230	575,470
Total liabilities	375,671	6,918	199,230	581,819
Fund balance (deficit)				
Nonspendable for inventory	29,015	-	-	29,015
Committed to capital projects	-	-	194,060	194,060
Unassigned	(18,037)	(3,565)	-	(21,602)
Total fund balance	10,978	(3,565)	194,060	201,473
Total liabilities, deferred inflows of resources and fund balances	\$ 386,649	\$ 3,353	\$ 393,290	\$ 783,292

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2018

	Food Service Fund	Outreach Fund	Capital Reserve Capital Projects Fund	Total
Revenues				
Local sources	\$ 135,865	\$ 34,260	\$ -	\$ 170,125
State sources	5,666	-	-	5,666
Federal sources	200,352	-	-	200,352
Total revenues	341,883	34,260	-	376,143
Expenditures				
Supporting services	453,254	37,700	-	490,954
Capital outlay	-	-	212,371	212,371
Total expenditures	453,254	37,700	212,371	703,325
Deficiency of revenues over expenditures	(111,371)	(3,440)	(212,371)	(327,182)
Other financing sources				
Transfers in	84,792		350,000	434,792
Total other financing sources	84,792	-	350,000	434,792
Net change in fund balance	(26,579)	(3,440)	137,629	107,610
Fund balances (deficit) at beginning of year	37,557	(125)	56,431	93,863
Fund balances (deficit) end of year	\$ 10,978	\$ (3,565)	\$ 194,060	\$ 201,473

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Food Service Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 150,000	\$ 153,000	\$ 135,865	\$ (17,135)
State sources	6,500	6,500	5,666	(834)
Federal sources	230,000	230,000	200,352	(29,648)
Total revenues	386,500	389,500	341,883	(47,617)
Expenditures				
Supporting services				
Salaries	156,096	156,630	152,174	4,456
Employee benefits	89,096	89,212	66,921	22,291
Purchased services	3,300	3,300	4,116	(816)
Supplies and materials	218,800	221,150	230,043	(8,893)
Total expenditures	467,292	470,292	453,254	17,038
Excess (deficiency) of revenues over expenditures	(80,792)	(80,792)	(111,371)	(30,579)
Other financing sources				
Transfers in	84,792	84,792	84,792	-
Total other financing sources	84,792	84,792	84,792	-
Net change in fund balance	\$ 4,000	\$ 4,000	(26,579)	\$ (30,579)
Fund balance at beginning of year			37,557	
Fund balance at end of year			\$ 10,978	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Outreach Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ 37,000	\$ 73,489	\$ 34,260	\$ (39,229)
Total revenues	37,000	73,489	34,260	(39,229)
Expenditures				
Supporting services				
Salaries	7,040	37,012	20,145	16,867
Employee benefits	1,530	8,047	4,297	3,750
Purchased services	15,000	15,000	8,495	6,505
Supplies and materials	13,430	13,430	4,763	8,667
Total expenditures	37,000	73,489	37,700	35,789
Net change in fund balance	\$ -	\$ -	(3,440)	\$ (3,440)
Fund balance (deficit) at beginning of year			(125)	
Fund balance (deficit) at end of year			\$ (3,565)	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Capital Reserve Capital Projects Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
Expenditures				
Capital outlay				
Facilities acquisition	100,000	406,431	212,371	194,060
Total expenditures	100,000	406,431	212,371	194,060
Excess deficiency of revenues over expenditures	(100,000)	(406,431)	(212,371)	194,060
Other financing sources				
Transfers in	100,000	350,000	350,000	-
Total other financing sources	100,000	350,000	350,000	-
Net change in fund balance	<u>\$ -</u>	<u>\$ (56,431)</u>	137,629	<u>\$ 194,060</u>
Fund balance at beginning of year			<u>56,431</u>	
Fund balance at end of year			<u>\$ 194,060</u>	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2018

	Scholarship Agency Fund	Pupil Activity Agency Fund	Total
Assets			
Cash	\$ 46,889	\$ 189,705	\$ 236,594
Receivables	-	157	157
Prepaid expenses	-	1,990	1,990
Due from other funds	1,000	2,781	3,781
Total assets	\$ 47,889	\$ 194,633	\$ 242,522
Liabilities			
Due to scholarship recipients	\$ 47,889	-	\$ 47,889
Due to student groups	-	194,633	194,633
Total Liabilities	\$ 47,889	\$ 194,633	\$ 242,522

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Combining Statement of Additions, Deductions and Changes in Fund Liabilities
Agency Funds
Year Ended June 30, 2018

	Scholarship Agency Fund	Pupil Activity Agency Fund	Total
Additions			
Fundraising and other events	\$ -	\$ 355,892	\$ 355,892
Earnings on investments	280	-	280
Total additions	280	355,892	356,172
Deductions			
Pupil activity expenditures	-	344,477	344,477
Scholarship agency expenditures	245	-	245
Total deductions	245	344,477	344,722
Excess of additions over deductions	35	11,415	11,450
Due to scholarship recipients/student groups at beginning of year	47,854	183,218	231,072
Due to scholarship recipients/student groups at end of year	\$ 47,889	\$ 194,633	\$ 242,522

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Scholarship Agency Fund
Year Ended June 30, 2018

	Original	Final	Actual	Variance Final Budget Positive (Negative)
Additions				
Earnings on investments	\$ 1,300	\$ 1,300	\$ 280	\$ (1,020)
Total additions	1,300	1,300	280	(1,020)
Deductions				
Bank fees	300	300	-	300
Scholarship awards	1,000	1,000	245	755
Total deductions	1,300	1,300	245	1,055
Excess (deficiency) of additions over deductions	\$ -	\$ -	35	\$ 35
Due to scholarship recipients at beginning of year			47,854	
Due to scholarship recipients at end of year			\$ 47,889	

See accompanying Independent Auditor's Report.

Estes Park School District R-3
Budgetary Comparison Schedule
Pupil Activity Agency Fund
Year Ended June 30, 2018

	Original	Final	Actual	Variance Final Budget Postive (Negative)
Additions				
Fundraising and other events	\$ 467,250	\$ 500,750	\$ 355,892	\$ (144,858)
Total additions	467,250	500,750	355,892	(144,858)
Deductions				
Pupil activity expenditures	467,250	500,750	344,477	156,273
Total deductions	467,250	500,750	344,477	156,273
Excess (deficiency) of additions over deductions	\$ -	\$ -	11,415	\$ 11,415
Due to student groups at beginning of year			<u>183,218</u>	
Due to student groups at end of year			<u>\$ 194,633</u>	

See accompanying Independent Auditor's Report.



Colorado Department of Education
Auditors Integrity Report
 District: 1570 - ESTES PARK R-3
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental						
10 General Fund	3,282,116		10,713,406	11,225,014		2,770,507
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
Sub-Total	3,282,116		10,713,406	11,225,014		2,770,507
11 Charter School Fund	0		0	0		0
20.26-29 Special Revenue Fund	97,339		27,314	124,778		-125
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
21 Food Service Spec Revenue Fund	47,109		416,384	425,936		37,557
22 Govt Designated-Purpose Grants Fund	0		549,616	549,616		0
23 Pupil Activity Special Revenue Fund	0		0	0		0
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	1,353,102		1,635,812	1,664,579		1,324,335
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	44,349		43,982	31,900		56,430
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
Totals	4,824,015		13,386,514	14,021,824		4,188,704
Proprietary						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60.65-69 Other Internal Service Funds	0		0	0		0
Totals	0		0	0		0
Fiduciary						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	48,029		69	245		47,854
74 Pupil Activity Agency Fund	193,460		397,276	407,518		183,218
79 GASB 34 Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
Totals	241,489		397,346	407,763		231,072

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



Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Education
Estes Park School District R-3
Estes Park, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Estes Park School District R-3 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 20, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2018-001 and 2018-002 that we consider to be significant deficiencies.

Compliance and Other Matters

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



Purpose of this Report

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

Anton Collins Mitchell LLP

Greeley, Colorado
December 20, 2018



Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Education
Estes Park School District R-3
Estes Park, Colorado

Report on Compliance for Each Major Federal Program

We have audited the Estes Park School District R-3's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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



Report on Internal Control Over Compliance

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

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

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

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

Anton Collins Mitchell LLP

Greeley, Colorado
December 20, 2018

Estes Park School District R-3
Schedule of Findings and Questioned Costs
June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? X Yes None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major federal programs:

Unmodified

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

 Yes X No

Identification of major programs:

<u>CFDA/Contract Number</u>	<u>Name of Federal Program or Cluster</u>
10.553	School Breakfast Program (Child Nutrition Cluster)
10.555	National School Lunch Program (Child Nutrition Cluster)
84.027	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs:

\$750,000

Auditee qualified as low-risk auditee? Yes X No

Estes Park School District R-3
Schedule of Findings and Questioned Costs
June 30, 2018

Section II - Financial Statement Findings

2018-001 Review and Approval of Key Financial Processes

Finding and Recommendation:

During internal control walkthroughs, ACM noted that there is no documentation of a secondary review and approval of bank reconciliations and journal entries which increases the risk of errors or undetected fraud. To improve the system of checks and balances at the District, we recommend that the District implement procedures and documentation to ensure that all bank reconciliations and journal entries are reviewed and approved by someone other than the preparer.

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. Management proposes that all reconciliations and journal entries will be prepared or entered by the Payroll/Accounts Payable Coordinator and be reviewed by the Business Director.

2018-002 Segregation of Duties

Finding and Recommendation:

During internal control walkthroughs, ACM noted that there is a segregation of duties issue due to the District having a small accounting department. The Director of Business Services prepares bank reconciliations, can sign checks, and has access to performing check runs, which increases the risk of errors or fraud. There are compensating controls in place, such as checks must be signed by two authorized signers and the Board approves deposits and reviews the financials. ACM recommends that the District implement procedures and documentation to create segregation of approving, recording, reconciling, and custody of assets.

Views of Responsible Officials and Planned Corrective Actions:

The District concurs with the finding. Management proposes that all reconciliations and performance of check runs be done by the Payroll/Accounts Payable Coordinator. All check runs will be approved by the Superintendent and Business Director before being posted and checks created. The District will also take away access for the Business Director to perform check runs. All bank reconciliations will be reviewed by the Business Director after being completed by the Payroll/Accounts Payable Coordinator.

Section III - Federal Award Findings and Questioned Costs

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

Section IV - Prior Year Findings

There were no findings in the prior year that were required to be reported.



**2018-001 Review and Approval of Key Financial Processes
(Significant Deficiency)**

During the course of the audit procedures, it was noted that there is no documentation of secondary review and approval of bank reconciliations and journal entries which increases the risk of errors or undetected fraud.

The auditors recommend that the District implement procedures and documentation to ensure that all bank reconciliations and journal entries are reviewed and approved by someone other than the preparer.

District Planned Corrective Action

The District concurs with the finding. Management proposes that all reconciliations and journal entries will be prepared or entered by the Payroll/Accounts Payable Coordinator and be reviewed by the Business Director.

District Responsible Party

Brian Lund, Business Director

District Planned Implementation Date

December 20, 2018

**2018-002 Segregation of Duties
(Significant Deficiency)**

During the course of the audit procedures, it was noted that there is a lack of segregation of duties due to the District having a small accounting department. The Director of Business Services prepares bank reconciliations, can sign checks, and has access to performing check runs, which increases the risk of errors or fraud. There are compensating controls in place, such as checks must be signed by two authorized signers and the Board approves deposits and reviews the financials.

The auditors recommend that the District implement procedures and documentation to create segregation of approving, recording, reconciling, and custody of assets.

District Planned Corrective Action

The District concurs with the finding. Management proposes that all reconciliations and performance of check runs be done by the Payroll/Accounts Payable Coordinator. All check runs will be approved by the Superintendent and Business Director before being posted and checks created. The District will also take away access for the Business Director to perform check runs. All bank reconciliations will be reviewed by the Business Director after being completed by the Payroll/Accounts Payable Coordinator.

District Responsible Party

Brian Lund, Business Director

District Planned Implementation Date

December 20, 2018

Estes Park School District R-3
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	FY18 Expenditures
U.S. Department of Agriculture			
Passed through Colorado Department of Education:			
<i>Child Nutrition Cluster:</i>			
School Breakfast Program	10.553	4553	\$ 30,653
National School Lunch Program	10.555	4555	144,035
Passed through Colorado Department of Human Services:			
<i>Child Nutrition Cluster:</i>			
Food Commodities	10.555	4555	25,664
Child Nutrition Cluster subtotal			200,352
Total U.S. Department of Agriculture			200,352
U.S. Department of Education			
Passed through Colorado Department of Education:			
English Language Acquisition State Grants	84.365	4365	11,409
Improving Teacher Quality State Grants	84.367	4367	88,897
Career and Technical Education - Basic Grants to States	84.048	4048	13,560
Title I Grants to Local Educational Agencies	84.010	4010	278,980
			392,846
<i>Special Education Cluster (IDEA):</i>			
Special Education - Grants to States	84.027	4027	207,976
Special Education - Preschool Grants	84.173	4173	-
Special Education Cluster subtotal			207,976
Total U.S. Department of Education			600,822
Total Expenditures of Federal Awards			\$ 801,174

See accompanying notes to Schedule of Expenditures of Federal Awards.

Estes Park School District R-3
Notes to Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the Estes Park School District R-3 (the "District") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allocable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Subrecipients

There were no subrecipients of federal awards during the year ended June 30, 2018.

5. Food Commodities

Commodities donated to the District by the U.S. Department of Agriculture ("USDA") are valued based on the USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenditures when the commodities are used. As of June 30, 2018, the District has received food commodities totaling \$25,664.