



South Routt School District RE-3

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2018

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 10, 2018

The Board of Education
South Routt School District RE-3
Oak Creek, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-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. 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.



South Routt School District No. RE-3
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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3, as of June 30, 2018, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedules of activity – pensions, and schedules of activity – OPEB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Routt School District RE-3's basic financial statements. The combining statement and schedule for the non-major governmental funds, the budgetary comparison schedules, and the Auditor's Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**South Routt School District RE-3
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2018**

As management of the South Routt School District RE-3, Routt County, Colorado (the District), we offer readers the District's Annual Financial Report, a narrative and analysis of the financial activities for fiscal year ending June 30, 2018.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,832,901 (*net position* for the primary reporting entity).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,494,855, an increase of \$469,786 in comparison with the prior year. Of this amount, \$1,455,808 is *available for spending* at the District's discretion (*unassigned fund balance*).
- The two reasons for the increase in ending fund balances from the prior year are property taxes paid in full by Peabody Energy and underspending of budgeted expenditures during the fiscal year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,455,808 or 27.65% of total general fund expenditures.
- The District's long-term obligations decreased by \$740,000 as a result of current year payments on bonded debt.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 11-50 are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide the reader of the District's financial statements a broad overview of the financial activities in a manner similar to a private sector business. The district-wide financial statements include the statement of net position and the statement of activities.

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

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

The district-wide financial statements consolidated governmental activities that are supported from taxes and intergovernmental revenues and business-type activities that were intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects, and special revenue funds.

The district-wide financial statements can be found on pages **11-12**.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds account for essentially the same information reported in the *governmental activities* of the district-wide financial statements. Unlike, however the district-wide statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the financing requirements in the near term.

Since the *governmental funds* and the *governmental activities* report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains four different governmental funds. The major funds are the general fund, the debt service fund, and the capital reserve fund. They are presented separately in the fund financial statements with the remaining governmental funds in a single column presentation labeled Non-major Governmental Funds.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

The governmental fund financial statements can be found on pages **13-17**.

Proprietary funds. The District previously maintained one type of proprietary fund. *Enterprise funds* are used to present the same functions as the *business-type activities* presented in the district-wide financial statements. The fund financial statements of the enterprise fund provided the same information as the district-wide financial statements only in more detail. The District currently has no enterprise funds.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements are presented on page **18**.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages **19-50** of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain *supplementary information* concerning the budget to actual comparison for all of the District's funds as well as information related to the net pension and OPEB liabilities. Fund statements can be found on pages **52-57** of this report. The net pension and OPEB liability schedules, which are required supplementary information, can be found on pages **58-61** of this report.

District-wide Financial Analysis

District-wide Net Position

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 91% of the annual property tax assessment in March through June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenue, interest payable, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during the fiscal year ending June 30, 2019. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after the end of the fiscal year 2018.

The liabilities and deferred inflows of resources of the District activities exceed assets and deferred outflow of resources by \$4,832,901 with an unrestricted net position balance of \$(12,405,660). Total net position of the District does not include internal balances.

A net investment of \$5,954,851 of capital assets were provided to the District's 314.5 students enrolled in fiscal year 2017-2018. A net position of \$1,404,565 in debt service fund is restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR and multiple year commitment reserves are restricted.

Business-type activities did not occur in Fiscal Year 2016, 2017 or 2018.

The following table shows net position for fiscal year 2018, 2017, and 2016.

**South Routt School District
Condensed Statement of Net Position**

	Governmental Activities		
	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>
Assets:			
Current Assets	\$ 4,126,687	\$ 3,726,977	\$ 3,414,146
Other Assets	356,152	-	-
Capital Assets net of depreciation	9,427,448	10,062,769	10,726,597
Total assets	<u>13,910,287</u>	<u>13,789,746</u>	<u>14,140,743</u>
Deferred Outflows	<u>5,607,545</u>	<u>6,912,439</u>	<u>1,285,425</u>
Liabilities:			
Current liabilities	1,631,041	1,359,762	555,813
Noncurrent liabilities	21,714,540	20,593,472	13,694,501
Total liabilities	<u>23,345,581</u>	<u>21,953,234</u>	<u>14,250,314</u>
Deferred outflows	<u>1,005,152</u>	<u>557,810</u>	<u>737,772</u>
Net position:			
Net investment in capital assets	5,954,851	6,608,802	6,546,260
Restricted	1,617,908	1,720,244	1,391,304
Unrestricted	<u>(12,405,660)</u>	<u>(10,137,905)</u>	<u>(7,499,482)</u>
Total net position	<u>\$ (4,832,901)</u>	<u>\$ (1,808,859)</u>	<u>\$ 438,082</u>

District-wide Activities

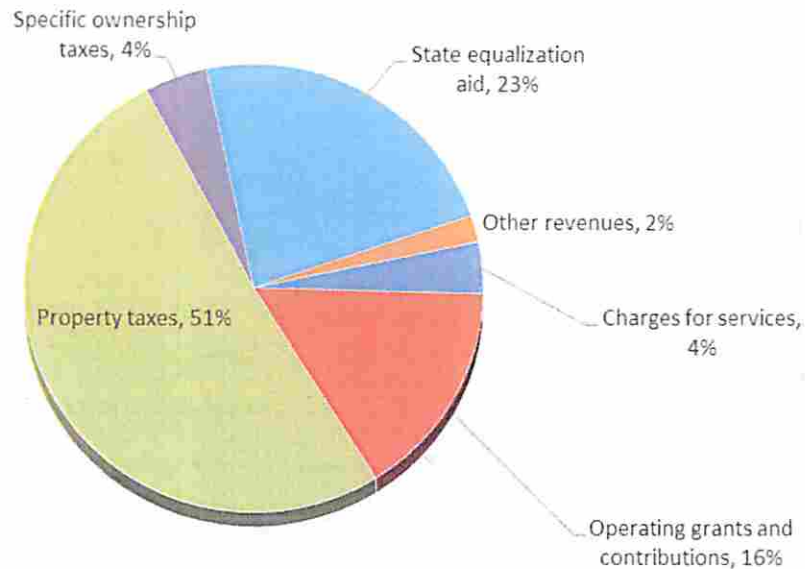
- District-wide activities decreased the net position of the District by \$2,598,834 during the year ended June 30, 2017. The cause of this decrease relates to change in accounting estimate in reporting the net pension liability from PERA and to depreciation on capital assets.

The following table shows the change in net position for fiscal years 2018, 2017, and 2016.

South Routt School District Condensed Statement of Changes in Net Position

	Governmental Activities		
	6/30/2018	6/30/2017	6/30/2016
Revenues:			
Program Revenues:			
Charges for services	\$ 259,105	\$ 253,638	\$ 218,516
Operating grants and contributions	1,096,237	940,978	775,436
Capital Grants and Contributions	147,471	-	-
General Revenues:			
Property taxes	3,582,255	3,668,788	3,886,875
Specific ownership taxes	308,443	280,197	270,860
Investment earnings	34,416	21,427	-
State equalization aid	1,619,115	1,376,129	1,290,128
Other state aid, mineral lease	3,705		
Other revenues	100,429	74,184	68,460
Total Revenues:	7,151,176	6,615,341	6,510,275
Expenses			
Governmental activities:			
Instruction	5,772,245	5,283,372	3,870,274
Pupil support services	360,392	290,502	195,564
Instructional staff	225,629	252,889	114,250
General administration	692,656	660,277	412,039
School administration	505,793	486,589	247,283
Business services	937	584	250
Plant maintenance and operations	1,256,769	944,359	778,468
Transportation	347,361	365,485	276,764
Central support	244,016	212,741	223,229
Interest expenses	68,880	108,928	94,763
Food services	282,498	258,306	195,709
Total Expenses:	9,757,176	8,864,032	6,408,593
Excess before transfers and other	(2,606,000)	(2,248,691)	101,682
Transfers		-	-
Proceeds of note receivable	-	-	-
Gain (loss) on sale of capital assets	7,166	1,750	-
Issuance cost on debt	-	-	-
Change in net position	(2,598,834)	(2,246,941)	101,682
Beginning net position	(1,808,859)	438,082	336,400
Change in accounting principles	(425,208)	-	-
Net Position - beginning reinstated	(2,234,067)	438,082	336,400
Ending net position:	\$ (4,832,901)	\$ (1,808,859)	\$ 438,082

Revenues by Source - Governmental Activities



Financial Analysis of the District's Governmental Funds

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

The governmental funds of the District provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unrestricted fund balance, in particular, measures the District's net resources available for spending at the end of the fiscal year.

The Per Pupil Funding (PPF) increased from \$9,887 to \$10,521.

The bond redemption debt service fund has adequate resources accumulated to make the December 2018 principal and interest payments. The mill levy to accumulate resources for the June 2019 interest payments will be certified in December 2018.

The capital projects fund is accumulating resources to fund future capital improvements and acquisitions. Fund balance in this fund increased by \$39,816 during the current year.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- State equalization increased by almost \$152,335 due to recalculation of the finance formula.
- Expenses were adjusted based on actual hires and expenditures for the first half of the year.

Capital Assets and Debt Administration

The District’s investment in capital assets for its governmental activities as of June 30, 2018 decreased to \$9,427,448 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment.

**South Routt School District RE-3
Capital Assets (net of accumulated depreciation)
June 30, 2018**

	Governmental Activities
Land	\$ 1,752,794
Buildings	7,503,101
Equipment	<u>171,553</u>
	<u>\$ 9,427,448</u>

Additional information on the District’s capital assets can be found on page 30 of this report.

At June 30, 2018, the District had total bonded debt outstanding of \$2,730,000 backed by the full faith and credit of the District.

**South Routt School District RE-3
Outstanding Debt
June 30, 2018**

	Governmental Activities
2014 G.O. Bonds	<u>\$ 2,730,000</u>

Total long-term debt for the District decreased during the current fiscal year according to the normal schedule of payments.

The District maintains an “AAA” rating from Moody’s for all general obligation debt.

State statutes limit the amount of general obligation debt to \$17,168,324, which is significantly in excess of the District’s outstanding general obligation debt.

Additional information on the District’s long-term obligations can be found in note E on pages 31.

Economic Factors and Next Year's Budgets and Rates

Budget

As a district, we review each fund balance, compare last year's budget and build approximately. Key factors include; increases for cost of living, and step and education level achievement by staff to accommodate increases. This concept assumes existing staffing ratios are level and non-compensation budgets are continued to the next year unless specifically identified to change in the budget development process.

School Report Cards

The State issues school report cards for every public educational institution in the state. The report card provides a performance grade based on the state Colorado Student Assessment Program (CSAP) tests, which are required for all students in grades three through tenth. Grade 11 is required to take the Scholastic Aptitude Test (SAT).

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Ciara Bartholomew, Finance Manager
South Routt School District RE-3
P.O. Box 158
Oak Creek, CO 80467

South Routt School District RE-3
STATEMENT OF NET POSITION
June 30, 2018

		Governmental Activities
ASSETS		
Cash and investments	\$	4,126,687
Property taxes receivable (net)		197,998
Due from other governments		146,560
Other receivables		4,692
Inventories		6,902
Capital assets, net of accumulated depreciation		9,427,448
	Total assets	13,910,287
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunded debt		74,455
Deferred outflows related to pension		5,516,828
Deferred outflows related to OPEB liability		16,262
	Total deferred outflows of resources	5,607,545
LIABILITIES		
Accounts payable and other accrued liabilities		421,020
Accrued compensation		406,620
Accrued interest		5,052
Unearned revenues		43,349
Noncurrent Liabilities		
Due within one year		
Bonds		755,000
Due in more than one year		
Bonds		2,037,052
Compensated absences		56,884
Net pension liability		19,182,556
Net pension obligation		438,048
	Total liabilities	23,345,581
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		996,301
Deferred inflows related to OPEB		8,851
	Total deferred inflows of resources	1,005,152
NET POSITION		
Net investment in capital assets		5,954,851
Restricted for:		
Debt service		1,404,565
TABOR		182,843
Multiple year commitments		30,500
Unrestricted		(12,405,660)
	Total net position	\$ (4,832,901)

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

South Routt School District RE-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental activities:					
Instruction	\$ 5,772,245	\$ 193,156	\$ 624,327	\$ 2,900	\$ (4,951,862)
Pupil support services	360,392	-	234,074	-	(126,318)
Instructional staff	225,629	-	83,925	-	(141,704)
General administration	692,656	-	-	-	(692,656)
School administration	505,793	-	-	-	(505,793)
Business services	937	-	-	-	(937)
Maintenance and operations	1,256,769	-	23,100	144,571	(1,089,098)
Transportation	347,361	-	52,187	-	(295,174)
Central support	244,016	-	-	-	(244,016)
Food service	282,498	65,949	78,624	-	(137,925)
Interest on long-term debt	68,880	-	-	-	(68,880)
Total	\$ 9,757,176	\$ 259,105	\$ 1,096,237	\$ 147,471	(8,254,363)

General revenues:

Property Taxes:

Property taxes, levied for general purposes	2,850,134
Property taxes, levied for debt service	732,121
Specific ownership taxes	308,443
State equalization	1,619,115
Other state aid, mineral lease	3,705
Other federal aid, federal reserve	10,821
Investment earnings	34,416
Gain on sale of asset	7,166
Miscellaneous	89,608

Total general revenues 5,655,529

Change in net position	(2,598,834)
Net position - beginning	(1,808,859)
Change in accounting principle	(425,208)
Net position - beginning (restated)	<u>(2,234,067)</u>
Net position - ending	<u>\$ (4,832,901)</u>

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

South Routt School District RE-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 2,259,868	\$ -	\$ 450,797	\$ 27,364	\$ 2,738,029
Investments	-	1,388,658	-	-	1,388,658
Property taxes receivable	160,851	37,147	-	-	197,998
Due from other governments	146,560	-	-	-	146,560
Due from other funds	5,381	-	-	-	5,381
Inventory	-	-	-	6,902	6,902
Other receivables	4,692	-	-	-	4,692
Total assets	<u>\$ 2,577,352</u>	<u>\$ 1,425,805</u>	<u>\$ 450,797</u>	<u>\$ 34,266</u>	<u>\$ 4,488,220</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 382,905	\$ -	\$ 36,699	\$ 1,416	\$ 421,020
Accrued compensation	388,626	-	-	17,994	406,620
Due to other funds	-	-	4,975	406	5,381
Unearned revenues	40,915	-	-	2,434	43,349
Total liabilities	<u>812,446</u>	<u>-</u>	<u>41,674</u>	<u>22,250</u>	<u>876,370</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property taxes	95,755	21,240	-	-	116,995
FUND BALANCES					
Nonspendable	-	-	-	6,902	6,902
Restricted					
Emergencies	182,843	-	-	-	182,843
Debt service	-	1,404,565	-	-	1,404,565
Multiple year commitments	30,500	-	-	-	30,500
Assigned to					
Other capital projects	-	-	409,123	-	409,123
Food service	-	-	-	5,114	5,114
Unassigned	1,455,808	-	-	-	1,455,808
Total fund balances	<u>1,669,151</u>	<u>1,404,565</u>	<u>409,123</u>	<u>12,016</u>	<u>3,494,855</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 2,577,352</u>	<u>\$ 1,425,805</u>	<u>\$ 450,797</u>	<u>\$ 34,266</u>	<u>\$ 4,488,220</u>

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

South Rount School District RE-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2018

Total fund balances, governmental funds		\$ 3,494,855
<p>Amounts reported for <i>governmental activities</i> in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.		9,427,448
Deferred charge on refunded debt is not a financial resource and therefore is not reported as an asset in the governmental funds		74,455
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 funds.		116,995
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
	Bonds payable	(2,730,000)
	Bonds interest payable	(5,052)
	Compensated absences	(56,884)
	Premium on bonds	(62,052)
	Net pension obligation	(19,182,556)
	Net OPEB obligation	(438,048)
	Deferred inflows related to OPEB	(8,851)
	Deferred inflows related to pension	(996,301)
	Deferred outflows related to OPEB	16,262
	Deferred outflows related to pension	5,516,828
		(17,946,654)
Total net position, governmental activities		\$ (4,832,901)

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

South Rount School District RE-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 2,837,366	\$ 734,178	\$ -	\$ -	\$ 3,571,544
Specific ownership taxes	308,443	-	-	-	308,443
Federal sources	196,099	-	-	75,237	271,336
State sources					
Equalization	1,619,115	-	-	-	1,619,115
Transportation	52,187	-	-	-	52,187
Other State	700,078	-	141,571	2,137	843,786
County sources, mineral leases	3,705	-	-	-	3,705
Local and intermediate sources	365,731	-	3,000	67,202	435,933
Interest	17,332	12,826	4,258	-	34,416
Total revenues	<u>6,100,056</u>	<u>747,004</u>	<u>148,829</u>	<u>144,576</u>	<u>7,140,465</u>
EXPENDITURES					
Current					
Instruction services	2,975,081	-	-	-	2,975,081
Supporting services					
Pupil support services	292,045	-	-	-	292,045
Instructional staff	146,266	-	-	-	146,266
General administration	438,362	-	-	-	438,362
School administration	276,940	-	-	-	276,940
Business services	937	-	-	-	937
Operations and maintenance	568,946	-	-	-	568,946
Transportation	244,245	-	-	-	244,245
Central support	247,944	-	-	-	247,944
Food services	-	-	-	186,529	186,529
Capital outlay	73,780	-	419,179	1,416	494,375
Debt service					
Principal	-	740,000	-	-	740,000
Interest	-	66,175	-	-	66,175
Total expenditures	<u>5,264,546</u>	<u>806,175</u>	<u>419,179</u>	<u>187,945</u>	<u>6,677,845</u>
Excess of revenues over (under) expenditures	835,510	(59,171)	(270,350)	(43,369)	462,620
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	-	-	7,166	-	7,166
Transfers in	-	-	303,000	44,000	347,000
Transfers out	(347,000)	-	-	-	(347,000)
Total other financing sources and uses	<u>(347,000)</u>	<u>-</u>	<u>310,166</u>	<u>44,000</u>	<u>7,166</u>
Net change in fund balances	488,510	(59,171)	39,816	631	469,786
Fund balance, beginning of year	1,180,641	1,463,736	369,307	11,385	3,025,069
Fund balance, end of year	<u>\$ 1,669,151</u>	<u>\$ 1,404,565</u>	<u>\$ 409,123</u>	<u>\$ 12,016</u>	<u>\$ 3,494,855</u>

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

South Rount School District RE-3
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2018

Total net change in fund balances, governmental funds \$ 469,786

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

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

	Depreciation expense	(720,252)	
	Capital outlays	<u>92,042</u>	(628,210)

In the governmental funds, the disposal of capital assets are not recognized, whereas in the government-wide financial statements they represent a loss of the book value. This is the amount of the book value recognized. (7,111)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 740,000

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount. 10,711

In the governmental funds, expenditures for compensated absences and pensions are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. These amounts (increased) decreased as follows:

	Compensated absences	15,243	
	OPEB expense	(5,430)	
	Pension expense	<u>(3,191,118)</u>	(3,181,305)

Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

	Amortization of loss on refunding	(21,792)	
	Bond premium accretion	<u>18,162</u>	(3,630)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 925

Change in net position, governmental activities \$ (2,598,834)

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

South Routt School District RE-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Property taxes	\$ 2,740,552	\$ 2,727,476	\$ 2,837,366	\$ 109,890
Specific ownership taxes	270,000	270,000	308,443	38,443
Federal sources	191,412	186,300	196,099	9,799
State sources				
Equalization	1,323,536	1,475,871	1,619,115	143,244
Transportation	30,000	41,765	52,187	10,422
Other State	540,000	651,317	700,078	48,761
County sources, mineral leases	5,600	3,700	3,705	5
Local and intermediate sources	411,000	358,071	365,731	7,660
Interest	4,500	4,500	17,332	12,832
Total revenues	<u>5,516,600</u>	<u>5,719,000</u>	<u>6,100,056</u>	<u>381,056</u>
EXPENDITURES				
Current				
Instruction services	2,931,205	2,962,149	2,982,177	(20,028)
Supporting services				
Pupil support services	264,896	271,287	292,045	(20,758)
Instructional staff	236,876	251,987	146,266	105,721
General administration	393,301	427,245	439,258	(12,013)
School administration	299,503	298,932	279,588	19,344
Business services	-	-	937	(937)
Operations and maintenance	620,485	638,742	574,130	64,612
Transportation	240,277	236,210	244,245	(8,035)
Central support	283,458	265,448	305,900	(40,452)
Contingency	1,002,577	1,002,577	-	1,002,577
Total expenditures	<u>6,272,578</u>	<u>6,354,577</u>	<u>5,264,546</u>	<u>1,090,031</u>
Excess of revenues over (under) expenditures	(755,978)	(635,577)	835,510	1,471,087
OTHER FINANCING SOURCES (USES)				
Transfers out	(224,000)	(367,000)	(347,000)	20,000
Total other financing sources and uses	<u>(224,000)</u>	<u>(367,000)</u>	<u>(347,000)</u>	<u>20,000</u>
Net change in fund balances	(979,978)	(1,002,577)	488,510	1,491,087
Fund balance, beginning of year	1,002,577	180,760	1,180,641	999,881
Fund balance, end of year	<u>\$ 22,599</u>	<u>\$ (821,817)</u>	<u>\$ 1,669,151</u>	<u>\$ 2,490,968</u>

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

South Routt School District RE-3
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2018

	<u>Student Activity Agency Funds</u>	<u>Endowment Promotion Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 55,096	\$ 778	\$ 55,874
Total assets	<u>\$ 55,096</u>	<u>\$ 778</u>	<u>\$ 55,874</u>
LIABILITIES			
Due to student groups	\$ 55,096	\$ 778	\$ 55,874
Total liabilities	<u>\$ 55,096</u>	<u>\$ 778</u>	<u>\$ 55,874</u>

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of South Routt School District RE-3 (District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

In conformance with GASB, South Routt School District RE-3, Routt County, Oak Creek, Colorado, is the reporting entity for financial report purposes. The District is the primary government financially accountable for all activities of public school instruction within the geographical area organized as South Routt School District RE-3. The District meets the criteria of a primary government: its 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 financial statements of the District include all funds that are controlled by or are fiscally dependent upon the Board of Education. Control by or dependence on the Board of Education is determined on the basis of budget adoption, taxing authority, outstanding debt which may be secured by general obligation of the District, and the responsibility of the District to finance debt or make subsidies to funds.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are currently no *business-type activities*.

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Education Fund Board collects sales taxes and remits to the District upon grant approval. Sales taxes collected by the Education Fund Board are considered to be susceptible to accrual.

All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

The *debt service fund* accounts for and reports the financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

The *capital reserve fund* accounts for and reports the financial resources that are restricted, committed, or assigned to expenditure for major capital outlays.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the District reports the following fund type:

Fiduciary funds. The pupil activity fund is used to account for revenues and expenditures associated with class and club activities. The endowment promotion fund is used to account for revenues and expenditures associated with publicly raised funds held as a restricted endowment.

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

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

Deposits and Investments

The District's cash consists of cash on hand and demand deposits. The investments are in an external investment pool with ColoTrust.

Receivables and Payables

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

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessor generally as of January 1st of each year. The levy is set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30th or, if in equal installments, at the taxpayer's election on February 28th and June 15th. Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

Property tax revenues are recognized when they become both measurable and available to finance expenditures of the current period. Property taxes receivable are recognized or collected in advance of the period for which they are levied, they are recorded as deferred inflows and recognized as revenue in the period for which they are levied.

Inventories

Inventories are held by the Food Service Fund and are valued at cost using the first-in/first-out (FIFO) method. The District utilizes the purchase method of accounting for inventory. The Federal government donates surplus commodities to supplement the National School Lunch and Breakfast Programs. Such commodities are recorded as revenues when received.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	20-50
Building improvements	7-50
Vehicles and equipment	5-30

Compensated Absences

Each employee of the District may accumulate sick leave, payable upon termination to the employee after a minimum of five consecutive years of service, at one-tenth of one percent per day of the licensed staff base salary, with a maximum of eighty days. The District accrues a liability in the appropriate funds for compensated absences, which meet the following criteria:

- The District's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 30, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2018, are reflected in the financial statements as an accrued liability.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position or balance sheet 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet 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.

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution approved by the Board of Education. Amounts can be uncommitted only by action of the Board of Education.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance allows the Board of Education to delegate the authority to spend to the Superintendent or designee.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

South Routt School District's Comprehensive Fund Balance Policy:

Order of Fund Balance Spending Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

Fund Balance Reporting as a result of the District's Comprehensive Fund Balance Policy

Nonspendable:

The Food Service fund has nonspendable funds related to inventory of \$6,902.

Assigned:

The Capital Projects fund assigns \$409,123 for future capital projects.

The Food Service fund assigns \$5,114 for food service operations.

Restricted:

Emergency Reserves: Tax, Spending and Debt Limitations amendment requires local governments to establish Emergency Reserves. The District has restricted \$182,843 of fund balance for this reserve. See Note F for further information regarding the limitations of this State amendment.

The General fund has also restricted \$30,500 for multiple year commitments related to the Superintendent's contract.

Debt Service restricts \$1,404,565 for debt service payments stipulated by bond documents.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

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

5. Jointly Governed Organization

Northwest Colorado Board of Cooperative Educational Services - The District is one of six school districts, which are members of the Northwest Colorado Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the "Board of Cooperative Services Act of 1965" of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. A board made up of representatives from each member district's board governs the BOCES. The governing board is autonomous as to budgeting and fiscal matters. The BOCES is not fiscally dependent upon the District and is considered a jointly governed organization.

6. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, the Finance Director submits to the Superintendent of Schools and the Board of Education a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Education to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental Funds. The appropriated budget is prepared by fund. The District's department heads may not make transfers of appropriations. The legal level of control is the fund level. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Finance Director.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. The Board of Education may authorize supplemental appropriations during the year. Supplemental appropriations were necessary during the fiscal year ended June 30, 2018.

Revenues for the General Fund are budgeted in accordance with the Colorado School Finance Formula, based on student count. Funded pupils for the fiscal year ended June 30, 2018 were 341.9.

7. Pensions

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

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

8. Adoption of GASB 75

For the year ended June 30, 2018, the District adopted the provisions of Statement of Governmental Accounting Standards (GASB Statement) No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Defined Benefit Other Post Employment Benefit Plan (OPEB)

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At June 30, 2018 the District's cash deposits had a book balance of \$231,821, and a corresponding bank balance of \$249,594. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The bank balance of \$250,000 was covered by federal deposit insurance.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

Investments - Colorado statutes specify investment instruments meeting defined rating and risk criteria, in which local governments may invest, which include the following:

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

State statutes do not address custodial risk.

At June 30, 2018, the District's deposits, classified as investments, are as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Total Fair Value</u>
COLOTRUST	Less than 1 year	\$ 3,950,740
	Total	<u>\$ 3,950,740</u>

Interest Rate Risk –Colorado Revised Statute 24-75-601 limits investment maturities to five year or less, as a means of managing exposure to fair value loss resulting from increasing interest rates.

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agencies. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies. As of June 30, 2018, the local government investment pools in which the District participates, COLOTRUST, was rated AAAM by Standard and Poor's, and maintain a constant net asset value of \$1 per share.

Concentration Risk – At June 30, 2018, the District's investment in COLOTRUST represented 100% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

Local government investment pools – Government investment pools are valued at amortized cost with each share valued at \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U.S. Treasury Notes and other similar investments. Financial statements for the District's government investment pools are available at www.colotrust.com.

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

The following table is a reconciliation of the primary government's cash and investments on the statement of net position.

Cash in banks	\$	231,821
Investments		<u>3,950,740</u>
Total		<u><u>4,182,561</u></u>
Statement of Net Position:		
Cash and investments	\$	4,126,687
Statement of Fiduciary Net Position:		
Cash and cash equivalents		<u>55,874</u>
Total Cash and investments	\$	<u><u>4,182,561</u></u>

NOTE C - INTERFUND BALANCES

Interfund receivables and payables at June 30, 2018 were as follows:

Fund	Receivable	Payable
General	\$ 5,381	\$ -
Capital Reserve	-	4,975
Nonmajor	-	<u>406</u>
	<u>\$ 5,381</u>	<u>\$ 5,381</u>

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

Interfund transfers made during the year ended June 30, 2018 were as follows:

Fund	Transfer in	Transfer out
General	\$ -	\$ 347,000
Capital Reserve	303,000	-
Nonmajor	<u>44,000</u>	-
	<u>\$ 347,000</u>	<u>\$ 347,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE D - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,082,075	\$ -	\$ -	\$ 1,082,075
Site	670,719	-	-	670,719
Construction in progress	<u>7,111</u>	<u>-</u>	<u>7,111</u>	<u>-</u>
Total capital assets, not being depreciated	1,759,905	-	7,111	1,752,794
Capital assets, being depreciated:				
Buildings	5,526,548	-	-	5,526,548
Site improvements	15,954,444	32,958	-	15,987,402
Equipment	1,079,161	59,084	22,829	1,115,416
Food service equipment	<u>171,053</u>	<u>-</u>	<u>-</u>	<u>171,053</u>
Total capital assets being depreciated	22,731,206	92,042	22,829	22,800,419
Less accumulated depreciation:				
Buildings	4,891,871	35,390	-	4,927,261
Site improvements	8,422,277	661,311	-	9,083,588
Equipment	959,980	20,570	22,829	957,721
Food service equipment	<u>154,214</u>	<u>2,981</u>	<u>-</u>	<u>157,195</u>
Total accumulated depreciation	<u>14,428,342</u>	<u>720,252</u>	<u>22,829</u>	<u>15,125,765</u>
Total capital assets being depreciated, net	<u>8,302,864</u>	<u>(628,210)</u>	<u>-</u>	<u>7,674,654</u>
Governmental activities capital-assets, net	<u>\$ 10,062,769</u>	<u>\$ (628,210)</u>	<u>\$ (7,111)</u>	<u>\$ 9,427,448</u>

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

Instruction	\$ 703,344
Administration	121
Transportation	7,031
Food service	2,981
Plant maintenance	<u>6,775</u>
Total governmental activities	<u>\$ 720,252</u>

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE E - LONG-TERM OBLIGATIONS

General Obligation Refunding Bonds. General Obligation Refunding Bonds, series 2014, denominations of \$5,000, dated September 3, 2014, total issue \$4,825,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 1.5% to 2.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2021. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

Annual debt service requirements to maturity for the general government bonds are as follows:

Fiscal Year Ending		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
<u>June 30,</u>				
2019	\$	53,075	\$ 755,000	\$ 808,075
2020		37,825	770,000	807,825
2021		20,313	785,000	805,313
2022		<u>5,250</u>	<u>420,000</u>	<u>425,250</u>
Total	\$	<u>116,463</u>	<u>2,730,000</u>	<u>2,846,463</u>

Changes in Long-Term Debt. During the period ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>6/30/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/18</u>	<u>Due within</u> <u>one year</u>
General obligation bond 2014	\$ 3,470,000	\$ -	\$ 740,000	\$ 2,730,000	\$ 755,000
Bond premium, 2014 bonds	80,214	-	18,162	62,052	18,162
Compensated absences	<u>72,127</u>	-	<u>15,243</u>	<u>56,884</u>	-
	<u>\$ 3,622,341</u>	<u>\$ -</u>	<u>\$ 773,405</u>	<u>\$ 2,848,936</u>	<u>\$ 773,162</u>

Liabilities for compensated absences are liquidated by the General Fund.

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE F - TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted in the General Fund at June 30, 2018 for *TABOR* equaled \$182,843. The District restricts a portion of its fund balance in further compliance with *TABOR*.

In November 1997, voters passed a referendum allowing the District to keep and spend any excess revenues received during the year ended June 30, 1997, and each subsequent year thereafter.

NOTE G - CONTINGENCIES

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE H - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

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

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

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

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

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

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

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$522,932 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 \$19,182,556 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

The District's proportion of the net pension liability was based on the District. contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .006 percent, which was a decrease of .0002 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$3,314,080. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$352,686	\$-
Changes of assumptions or other inputs	4,898,019	31,082
Net difference between projected and actual earnings on pension plan investments	-	753,317
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	211,902
Contributions subsequent to the measurement date	266,123	N/A
Total	\$5,516,828	\$996,301

\$266,123 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, 2018:	
2019	\$ 2,853,187
2020	1,673,978
2021	10,640
2022	(283,401)
2023	-
Thereafter	-

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

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

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

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

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

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

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

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

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

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%	

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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.
- 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.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

Sensitivity of the District 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%)
Proportionate share of the net pension liability	\$24,230,831	\$19,182,556	\$15,068,789

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

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

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

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

At June 30, 2018, the District reported a liability of \$19,182,556 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 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%	\$ 8,666,513

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 \$8,954,537 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE I - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

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

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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

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 \$27,960 for the year ended June 30, 2018.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

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 \$438,048 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on the District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was .03 percent, which was a decrease of .0001 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$33,390. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$2,072	\$-
Net difference between projected and actual earnings on OPEB plan investments	-	7,328
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,523
Contributions subsequent to the measurement date	14,190	N/A
Total	\$16,262	\$8,851

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

\$14,190 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	\$ (1,724)
2020	(1,724)
2021	(1,724)
2022	(1,723)
2023	108
Thereafter	8

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.

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

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

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

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

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

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

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

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

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

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

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

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

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

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

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

- 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.

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$425,996	\$438,048	\$452,565

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$492,504	\$438,048	\$391,569

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.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE J - DEFINED CONTRIBUTION PENSION PLAN

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

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar year 2016 and \$18,000 for 2016, and \$18,500 for the 2018). In addition, catch-up contributions, up to \$6,000 for the calendar year 2016, \$6,000 for 2017, and \$6,000 for 2018 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations or IRC section 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the years ended June 30, 2016, 2017, and 2018.

NOTE K - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District has joined other school districts in the Colorado School District Self Insurance Pool (CSDSIP), a public entity risk pool operating as a common risk management and insurance program for member districts. The District pays an annual contribution to CSDSIP for its property and casualty insurance coverage. The agreement with CSDSIP provides that the pool will be financially self-sustaining through member contribution and additional assessments, if necessary. The pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE L - CHANGE IN ACCOUNTING PRINCIPLE

Effective July 1, 2017, the District retroactively changed its method of accounting for OPEB contributions and related obligations to conform to GASBS No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Under the new accounting method, the District accrues a net OPEB liability related to its participation in a multiple employer cost sharing OPEB plan. The effect of the change decreased beginning net position for 2018 by \$425,208, from (\$1,808,859) to (\$2,234,067).

NOTE M - RELATED PARTIES

During 2018 there was a board member that worked as a substitute bus driver.

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South Routt School District RE-3
 BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2018

		Food Service Fund
ASSETS		
Cash and cash equivalents	\$	27,364
Inventory		6,902
Total assets	\$	34,266
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable and accrued liabilities	\$	1,416
Accrued compensation		17,994
Due to other funds		406
Unearned revenues		2,434
Total liabilities		22,250
Fund balances		
Nonspendable		6,902
Assigned to		
Food service		5,114
Total fund balances		12,016
Total liabilities and fund balances	\$	34,266

South Routt School District RE-3
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended June 30, 2018

	Food Service Fund	
REVENUES:		
Federal sources	\$ 75,237	
State sources	2,137	
Local and intermediate sources	67,202	
Total revenues	144,576	
 EXPENDITURES		
Current:		
Food services	186,529	
Capital outlay	1,416	
Total expenditures	187,945	
Excess of revenues over (under) expenditures		(43,369)
 OTHER FINANCING SOURCES (USES)		
Transfers in	44,000	
Total other financing sources and uses	44,000	
Net change in fund balances		631
Fund balance, beginning of year	11,385	
Fund balance, end of year	\$ 12,016	

South Routt School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 66,000	\$ 66,000	\$ 75,237	\$ 9,237
State sources	2,000	2,000	2,137	137
Local and intermediate sources	72,000	72,000	67,202	(4,798)
Total revenues	<u>140,000</u>	<u>140,000</u>	<u>144,576</u>	<u>4,576</u>
EXPENDITURES				
Current				
Supporting services				
Food service	224,000	224,500	187,945	36,555
Contingency	-	4,207	-	4,207
Total expenditures	<u>224,000</u>	<u>228,707</u>	<u>187,945</u>	<u>40,762</u>
Excess of revenues over (under) expenditures	(84,000)	(88,707)	(43,369)	45,338
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>84,000</u>	<u>84,000</u>	<u>44,000</u>	<u>(40,000)</u>
Net change in fund balances	-	(4,707)	631	5,338
Fund balance, beginning of year	-	4,207	11,385	7,178
Fund balance, end of year	<u>\$ -</u>	<u>\$ (500)</u>	<u>\$ 12,016</u>	<u>\$ 12,516</u>

South Routt School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
CAPITAL RESERVE FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Earnings on investments	\$ 500	\$ 2,500	\$ 4,258	\$ 1,758
Local Sources	-	-	3,000	\$ 3,000
State Sources	214,653	248,370	141,571	\$ (106,799)
Total revenues	<u>215,153</u>	<u>250,870</u>	<u>148,829</u>	<u>(102,041)</u>
EXPENDITURES				
Capital outlay	264,743	561,036	419,179	141,857
Contingency	373,684	373,684	-	373,684
Total expenditures	<u>638,427</u>	<u>934,720</u>	<u>419,179</u>	<u>515,541</u>
Excess of revenues over (under) expenditures	(423,274)	(683,850)	(270,350)	413,500
OTHER FINANCING SOURCES (USES)				
Gain on sale of assets	-	7,166	7,166	-
Transfers in	160,000	303,000	303,000	-
Total other financing sources	<u>160,000</u>	<u>310,166</u>	<u>310,166</u>	<u>-</u>
Net change in fund balances	(263,274)	(373,684)	39,816	413,500
Fund balance, beginning of year	373,684	373,684	369,307	4,377
Fund balance, end of year	<u>\$ 110,410</u>	<u>\$ -</u>	<u>\$ 409,123</u>	<u>\$ 409,123</u>

South Routt School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 831,000	\$ 831,000	\$ 734,178	\$ (96,822)
Earning on investments	3,000	3,000	12,826	9,826
Total revenues	<u>834,000</u>	<u>834,000</u>	<u>747,004</u>	<u>(86,996)</u>
EXPENDITURES				
Debt service				
Principal	780,000	780,000	740,000	40,000
Interest	66,175	66,175	66,175	-
Contingency	<u>1,200,907</u>	<u>1,200,907</u>	-	<u>1,200,907</u>
Total expenditures	<u>2,047,082</u>	<u>2,047,082</u>	<u>806,175</u>	<u>1,240,907</u>
Excess of revenues over (under) expenditures	(1,213,082)	(1,213,082)	(59,171)	1,153,911
Fund balance, beginning of year	<u>1,200,907</u>	<u>1,200,907</u>	<u>1,463,736</u>	<u>262,829</u>
Fund balance, end of year	<u>\$ (12,175)</u>	<u>\$ (12,175)</u>	<u>\$ 1,404,565</u>	<u>\$ 1,416,740</u>

South Routt School District RE-3
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended June 30, 2018

	Student Activity Agency Funds	Endowment Promotion Fund	Total
Additions			
Fundraising events	\$ 198,200	\$ -	\$ 198,200
Total additions	<u>198,200</u>	<u>-</u>	<u>198,200</u>
Deductions			
Promotion Fund expenditures	-	3,387	3,387
Athletic/Activity expenditures	194,561	-	194,561
Total deductions	<u>194,561</u>	<u>3,387</u>	<u>197,948</u>
Change in activity funds	3,639	(3,387)	252
Due to student groups, beginning of year	<u>51,457</u>	<u>4,165</u>	<u>55,622</u>
Due to student groups, end of year	<u>\$ 55,096</u>	<u>\$ 778</u>	<u>\$ 55,874</u>
Appropriations	\$ 349,311	\$ 17,940	
Expenditures	194,561	3,387	
Variance positive (negative)	154,750	14,553	

South Rount School District RE-3

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2018

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:					
December 31, 2014	0.064990%	\$ 8,808,268	\$ 2,705,094	326%	63%
December 31, 2015	0.061017%	9,332,061	2,658,341	351%	59%
December 31, 2016	0.059546%	17,729,293	2,670,527	664%	43%
December 31, 2017	0.059322%	19,182,556	2,686,182	714%	44%

South Routt School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 435,873	\$ 435,873	\$ -	\$ 2,580,911	16.89%
June 30, 2016	474,283	474,283	-	2,675,315	17.73%
June 30, 2017	491,718	491,718	-	2,675,329	18.38%
June 30, 2018	522,932	522,932	-	2,741,172	19.08%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

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

South Routt School District RE-3

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2018

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<u>Measurement date:</u>					
December 31, 2017	0.03371%	\$ 438,048	\$ 2,686,182	16%	18%

South Rount School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2018

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	\$ 27,960	\$ 27,960	\$ -	\$ 2,741,172	1.02%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

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



Colorado Department of Education
Auditors Integrity Report
 District: 2780 - SOUTH ROUTT RE 3
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+			=
10 General Fund	1,180,641	5,753,056	5,264,546	1,669,151
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,180,641	5,753,056	5,264,546	1,669,151
11 Charter School Fund	0	0	0	0
20 26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
71 Food Service Spec Revenue Fund	11,385	188,576	187,945	12,016
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,463,737	747,004	806,175	1,404,565
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	369,308	458,995	419,180	409,123
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	3,025,070	7,147,631	6,677,846	3,494,855
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	4,165	0	1,386	778
74 Pupil Activity Agency Fund	51,457	198,200	194,560	55,096
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	55,622	198,200	197,947	55,875

FINAL