

**LONE STAR SCHOOL DISTRICT 101
(WASHINGTON COUNTY)
OTIS, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2018**

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information - Unaudited)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2018

The discussion and analysis of Lone Star School District 101's (the "District") financial performance provides an overall review of the district's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

Financial Highlights

The District's budget continues to remain fairly constant. Any increases in revenue are generally used to offset the cost of salary and benefits for additional staff and/or programs. The District continues to maintain a healthy fund balance in the General Fund. The District budgets sufficient contingencies greater than required by law to cover any unanticipated operational needs.

Using the Basic Financial Statements

The basic financial statements consist of the Management's Discussion and Analysis (this section) and a series of financial statements and notes to those statements. These statements are organized so that the reader can first understand the District as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The first two statements are government-wide financial statements - the Statement of Net Position and the Statement of Activities. Both provide long and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail. The governmental fund statements tell how general District services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

Financial Analysis of the District as a Whole

The District's total net position was $-\$(1,648,638)$ as of June 30, 2018.

The District's governmental net position decreased by $\$(1,057,161)$ from 2016-2017. The District's governmental net position decrease is primarily due to the inclusion of PERA liability and the purchase and finishing of assets.

Government-Wide Financial Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private businesses. The statements of net position include all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. The change in net position is important because it tells the reader that for the District as a whole, the financial position of the District has improved or diminished. The causes of this change may be the result of various factors, some financial, some not. Non-financial factors include facility conditions and require educational programs.

In the Statement of Net Position and the Statement of Activities, the District is divided into two distinct kinds of activities:

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation and extracurricular

A condensed summary of the District's Net Position is as follows:

Table 1 - Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Current Assets	\$ 1,626,970	\$ 1,503,479
Capital Assets - Net	<u>1,751,122</u>	<u>1,684,430</u>
Total Assets	<u>3,378,092</u>	<u>3,187,909</u>
Deferred Outflows of Financial Resources	<u>2,021,094</u>	<u>2,235,833</u>
Current Liabilities	143,014	149,949
Long-Term Liabilities	<u>6,482,177</u>	<u>5,816,191</u>
Total Liabilities	<u>6,625,191</u>	<u>5,966,140</u>
Deferred Inflows of Financial Resources	<u>422,633</u>	<u>49,078</u>
Net Position		
Net Investment in Capital Assets	1,747,683	1,684,430
Restricted Net Assets	57,000	52,000
Unrestricted Net Position	<u>(3,453,321)</u>	<u>(2,327,906)</u>
Total Net Position	<u>\$ (1,648,638)</u>	<u>\$ (591,476)</u>

Most of the District's net position is invested in capital assets (buildings, land, and equipment). The remaining net position is a combination of restricted and unrestricted amounts. The restricted balances are amounts legally restricted for State required emergency reserves.

A condensed Statement of Activities and Changes in Net Position is as follows:

TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities	
	2018	2017
Program Revenues:		
Charges for Services	\$ 24,855	\$ 21,659
Operating Grants	210,226	158,165
Total Program Revenues	235,081	179,824
General Revenues:		
Taxes	337,487	237,018
State Equalization	1,347,369	1,343,171
Investment Income	5,637	6,062
Insurance Proceeds	26,509	-
Miscellaneous	29,488	20,979
Total General Revenues	1,746,490	1,607,230
Total Revenues	1,981,571	1,787,054
Expenses		
Instruction	1,875,966	1,686,253
Supporting Services	1,019,068	859,706
Total Expenses	2,895,034	2,545,959
Change in Net Position	(913,463)	(758,905)
Net Position - Beginning	(591,476)	167,429
Prior Period Restatement	(143,699)	-
Net Position - Beginning (Restated)	(735,175)	167,429
Net Position - Ending	\$ (1,648,638)	\$ (591,476)

The District's governmental net position decrease is primarily due to the inclusion of PERA liability and purchase of new assets.

Reporting the District's Most Significant Funds

The analysis of the District's major funds begins on page 4. Fund financial reports provide detailed information about the District's major fund. The District's major fund is the General.

Governmental Funds. Most of District's activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short - term view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements of the Governmental Funds. The District's governmental funds consist of the General Fund and nonmajor Food Service Fund. The General Fund accounts for the majority of the District's instruction and support operations, as well as, the district's statutorily required allocation of per pupil funding for capital needs. The Food Service Fund accounts for the District's food service operation.

Fiduciary Funds. Fiduciary funds are not reflected in the government-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 District's fiduciary funds are the Pupil Activity and Scholarship Agency Funds. The Pupil Activity Fund generally accounts for student generated revenues and expenditures related to non-classroom activities. The Scholarship Fund provides resources for student education after graduation.

Fund Financial Statements

As of June 30, 2018 the District's governmental funds reported a combined fund balance of \$1,482,253 which is a increase of \$131,590.00 from the June 30, 2017 balance.

Capital Assets

As of June 30, 2018 the District had \$1,751,122 invested in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase of \$66,692.00 from the prior year due to interest on current assets.

A summary of the District's Governmental Activity Capital Assets is as follows:

TABLE 3 - GOVERNMENTAL ACTIVITY CAPITAL ASSETS

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 4,725	\$ -	\$ -	\$ 4,725
Total Capital assets not being depreciated	<u>4,725</u>	<u>-</u>	<u>-</u>	<u>4,725</u>
Capital assets being depreciated				
Land Improvements	175,365	-	-	175,365
Buildings	2,190,865	116,369	-	2,307,234
Transportation Equipment	314,498	-	-	314,498
Food Service Equipment	13,834	-	-	13,834
Other Equipment	<u>122,513</u>	<u>25,757</u>	<u>-</u>	<u>148,270</u>
Total Capital Assets being depreciated	<u>2,817,075</u>	<u>142,126</u>	<u>-</u>	<u>2,959,201</u>
Accumulated Depreciation				
Land Improvements	(77,689)	(3,905)	-	(81,594)
Buildings	(718,594)	(52,922)	-	(771,516)
Transportation Equipment	(216,463)	(13,233)	-	(229,696)
Food Service Equipment	(12,762)	(1,072)	-	(13,834)
Other Equipment	<u>(111,862)</u>	<u>(4,302)</u>	<u>-</u>	<u>(116,164)</u>
Total Accumulated Depreciation	<u>(1,137,370)</u>	<u>(75,434)</u>	<u>-</u>	<u>(1,212,804)</u>
Net Capital Assets	<u>\$ 1,684,430</u>	<u>\$ 66,692</u>	<u>\$ -</u>	<u>\$ 1,751,122</u>

Debt Administration

As of June 30, 2018 the District had total outstanding long-term obligations as follows:

	Balance 7/1/17	Advances	Net Payments	Balance 6/30/18	Current Portion
Accrued Compensated Absences	\$ 8,710	\$ 710	\$ -	\$ 9,420	\$ -
2018 Copier Lease	-	3,582	143	3,439	1,758
HCTF OPEB Liability	-	144,434	-	144,434	-
PERA Net Pension Liability	<u>5,805,521</u>	<u>519,363</u>	<u>-</u>	<u>6,324,884</u>	<u>-</u>
	<u>\$ 5,814,231</u>	<u>\$ 668,089</u>	<u>\$ 143</u>	<u>\$ 6,482,177</u>	<u>\$ 1,758</u>

The accrued compensated absences represent the amounts to be funded for earned but unused vacation and sick leave. Additional information related to the District's long-term obligations can be found in Note 6 to the financial statements.

General Fund Budget

The Board of Education adopts the District's budget in June of each year. Changes are then made in when student enrollment is finalized. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received. The majority of changes to the General Fund budget are in the area of salary and benefits due to staff changes. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization and Specific Ownership Tax. General Fund revenues were 7% higher than budgeted. Expenditures were 39% under budget after adjusting for contingency reserves. The greatest savings occurred in instruction and operations.

Economic Factors and Next Year's Budget

The Lone Star School District has long term capital needs including updating the heating system, boiler, and fire alarm system.

The negative factor has caused Lone Star School District to lose funding of more than one million dollars from 2010 to 2018. Although we have received minimum relief with the negative factor, we are still not receiving all monies from the state that were appropriated.

Requests for Information

This financial report is designed to provide a general overview of the Lone Star School District 101's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Superintendent, 44940 County Road 54, Otis, Colorado 80743.

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FINANCIAL SECTION

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Education
Lone Star School District 101
Otis, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Star School District 101, Colorado, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the 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 controls. 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Lone Star School District 101, Colorado, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Lone Star School District 101's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 16 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M5 and pension schedules on pages 40 - 43 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.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 44 - 47 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. In addition, the budgetary comparison schedules on pages 48 - 50 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 51 - 54 are presented for state regulatory compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 financial statements as a whole.

Holscher, Mayberry + Company, LLC

Englewood, CO
November 6, 2018

BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2018.

LONE STAR SCHOOL DISTRICT 101
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
ASSETS	
Current Assets	
Cash and Investments	\$ 1,602,004
Cash with Fiscal Agent	4,708
Taxes Receivable	11,477
Grants Receivable	4,755
Other Accounts Receivable	885
Inventory	3,141
Total Current Assets	1,626,970
Noncurrent Assets	
Capital Assets, not being depreciated	4,725
Capital Assets, being depreciated	1,746,397
Total Noncurrent Assets	1,751,122
TOTAL ASSETS	3,378,092
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Net Deferred Pension Outflows	2,015,258
Net Deferred OPEB Outflows	5,836
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	2,021,094
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 5,399,186
LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES AND FUND BALANCE	
LIABILITIES	
Current Liabilities	
Interfund Accounts Payable	\$ 1,135
Accounts Payable	11,142
Accrued Salaries & Benefits	130,737
Total Current Liabilities	143,014
Non-Current Liabilities	
Due Within One Year	1,758
Due In More Than One Year	6,480,419
Total Noncurrent Liabilities	6,482,177
TOTAL LIABILITIES	6,625,191
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Deferred Inflows	1,307
Deferred Grant Inflows	396
Net Deferred Pension Inflows	418,514
Net Deferred OPEB Inflows	2,416
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES	422,633
NET POSITION	
Net Investment in Capital Assets	1,747,683
Restricted Net Assets	57,000
Unrestricted Net Position	(3,453,321)
TOTAL NET POSITION	(1,648,638)
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 5,399,186

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

LONE STAR SCHOOL DISTRICT 101
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense)</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Revenue and</u>
		<u>Services</u>	<u>Grants and</u>	<u>Change in Net</u>
			<u>Contributions</u>	<u>Position</u>
				<u>Governmental</u>
				<u>Activities</u>
Primary Government				
Governmental Activities				
Instruction	\$ 1,879,362	\$ 4,492	\$ 146,108	\$ (1,728,762)
Supporting Services	1,020,332	20,363	64,118	(935,851)
Interest on Long Term Debt	13	-	-	(13)
Total Primary Government	<u>\$ 2,899,707</u>	<u>\$ 24,855</u>	<u>\$ 210,226</u>	<u>(2,664,626)</u>
General Revenues				
Property Taxes				304,389
Specific Ownership Taxes				33,098
State Equalization				1,347,369
Investment Earnings				5,637
Insurance Proceeds				26,509
Other Revenues				29,488
Total General Revenues and Transfers				<u>1,746,490</u>
Change in Net Position				<u>(918,136)</u>
Beginning Net Position				<u>(591,476)</u>
Prior Period Restatement				<u>(139,026)</u>
Beginning Net Position (As Restated)				<u>(730,502)</u>
Ending Net Position				<u>\$ (1,648,638)</u>

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

LONE STAR SCHOOL DISTRICT 101
Balance Sheet
Governmental Funds
June 30, 2018
(With Comparative Totals for June 30, 2017)

		Nonmajor Special Revenue	Total	
		Food Service		
	General Fund	Fund	2018	2017
ASSETS				
Cash and Investments	\$ 1,571,986	\$ 30,018	\$ 1,602,004	\$ 1,476,429
Cash with Fiscal Agent	4,708	-	4,708	2,713
Taxes Receivable	11,477	-	11,477	5,486
Grants Receivable	4,755	-	4,755	16,788
Other Accounts Receivable	-	885	885	443
Inventory	-	3,141	3,141	1,620
TOTAL ASSETS	\$ 1,592,926	\$ 34,044	\$ 1,626,970	\$ 1,503,479
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Interfund Accounts Payable	\$ 1,135	\$ -	\$ 1,135	\$ 1,135
Accounts Payable	8,648	2,494	11,142	16,523
Accrued Salaries & Benefits	126,754	3,983	130,737	132,291
Accrued Compensated Absences	-	-	-	1,960
Total Liabilities	136,537	6,477	143,014	151,909
Deferred Inflows of Financial Resources				
Deferred Inflows Other	-	1,307	1,307	907
Deferred Inflows Grants	396	-	396	-
Total Deferred Inflows of Financial Resources	396	1,307	1,703	907
Fund Balance				
Nonspendable Fund Balance	-	3,141	3,141	1,620
Restricted Fund Balance				
Restricted for TABOR Emergencies	57,000	-	57,000	52,000
Committed Fund Balance				
Committed for Food Service	-	23,119	23,119	34,851
Assigned Fund Balance				
Unassigned Fund Balance	1,398,993	-	1,398,993	1,262,192
Total Fund Balance	1,455,993	26,260	1,482,253	1,350,663
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	\$ 1,592,926	\$ 34,044	\$ 1,626,970	\$ 1,503,479

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

LONE STAR SCHOOL DISTRICT 101
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2018

Fund Balance - Governmental Funds		\$	1,482,253
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	4,725		
Capital assets, being depreciated	2,959,201		
Accumulated depreciation	<u>(1,212,804)</u>		1,751,122
Certain long-term pension and OPEB related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds			
PERA Pension Liability			
Net pension deferred outflows	2,015,258		
Net pension liability	(6,324,884)		
Net pension deferred inflows	<u>(418,514)</u>		(4,728,140)
PERA Health Care Trust Fund (OPEB) Liability			
Net pension deferred outflows	5,836		
Net OPEB liability	(144,434)		
Net pension deferred inflows	<u>(2,416)</u>		(141,014)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Capital leases payable	(3,439)		
Accrued compensated absences	<u>(9,420)</u>		(12,859)
Total Net Position - Governmental Activities		\$	<u><u>(1,648,638)</u></u>

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

LONE STAR SCHOOL DISTRICT 101
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

		Nonmajor Special Revenue	Total	
	General Fund	Food Service Fund	2018	2017
REVENUES				
Local Sources	\$ 407,213	\$ 16,763	\$ 423,976	\$ 288,106
Intermediate Sources	102	-	102	83
State Sources	1,486,802	1,887	1,488,689	1,438,812
Federal Sources	34,922	33,884	68,806	62,673
TOTAL REVENUES	<u>1,929,039</u>	<u>52,534</u>	<u>1,981,573</u>	<u>1,789,674</u>
EXPENDITURES				
Instruction	1,028,425	-	1,028,425	985,542
Pupil Support	1,718	-	1,718	2,403
Staff Support	708	-	708	760
General Administration	168,281	-	168,281	139,809
School Administration	86,213	-	86,213	88,673
Business Services	46,285	-	46,285	54,516
Operations and Maintenance	160,248	-	160,248	154,739
Transportation	257,016	-	257,016	157,467
Risk Management	41,770	-	41,770	38,035
Food Service	-	62,745	62,745	56,687
Debt Service	156	-	156	-
TOTAL EXPENDITURES	<u>1,790,820</u>	<u>62,745</u>	<u>1,853,565</u>	<u>1,678,631</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	138,219	(10,211)	128,008	111,043
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	3,582	-	3,582	-
CHANGE IN FUND BALANCE	141,801	(10,211)	131,590	111,043
BEGINNING FUND BALANCE	1,314,192	36,471	1,350,663	1,239,620
ENDING FUND BALANCE	<u>\$ 1,455,993</u>	<u>\$ 26,260</u>	<u>\$ 1,482,253</u>	<u>\$ 1,350,663</u>

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

LONE STAR SCHOOL DISTRICT 101
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2018

Change in Fund Balance - Governmental Funds		\$	131,590
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level			
Capitalized Asset Purchases	142,126		
Depreciation Expense	<u>(75,434)</u>		66,692
Pension and OPEB expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.			
Net Change in Pension Liability			
Change in pension deferred outflows	(220,575)		
Change in net pension liability	(519,363)		
Change in pension deferred inflows	<u>(370,343)</u>		(1,110,281)
Net Change in OPEB Liability			
Change in OPEB deferred outflows	1,163		
Change in net OPEB liability	(735)		
Change in OPEB deferred inflows	<u>(2,416)</u>		(1,988)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level			
Proceeds from debt issuances	(3,582)		
Principal payments on capital leases	143		
Change in accrued compensated absences	<u>(710)</u>		(4,149)
Total Net Position - Governmental Activities		\$	<u>(918,136)</u>

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

LONE STAR SCHOOL DISTRICT 101
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(With Comparative Totals for June 30, 2017)

			Totals	
	Rhodes			
	Scholarship	Pupil Activity		
	Agency Fund	Agency Fund	2018	2017
ASSETS				
Cash and Investments	\$ 32,408	\$ 88,068	\$ 120,476	\$ 96,617
Interfund Accounts Receivable	-	1,135	1,135	1,135
TOTAL ASSETS	<u>\$ 32,408</u>	<u>\$ 89,203</u>	<u>\$ 121,611</u>	<u>\$ 97,752</u>
NET POSITION				
Restricted Net Position - Held for Others	<u>\$ 32,408</u>	<u>\$ 89,203</u>	<u>\$ 121,611</u>	<u>\$ 97,752</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Lone Star School District 101 (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

Reporting Entity

In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, The Financial Reporting Entity.

Based upon the application of these criteria, no additional organizations are includable within the District's reporting entity.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Fund Financial Statements (Continued)

The District reports the following major governmental fund:

General Fund - This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

The District reports the following fiduciary funds:

Agency Funds (Pupil Activity and Scholarship Funds) - These funds account for funds held by and for the benefit of students. These funds are custodial in nature. There are no formal trust agreements for the scholarship funds.

Measurement Focus and Basis of Accounting

Government-Wide and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance

Cash - Cash is kept in interest bearing accounts that are comprised of checking and money market accounts that are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory - Inventories of proprietary funds are valued at the lower of cost (first-in, first-out) or market.

Capital Assets - Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure, and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The District's policy is to capitalize and inventory annually all capital assets with a unit value of or greater than \$5,000 and an estimated useful life of or greater than one year.

Depreciation of exhaustible capital assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds balance sheets.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation as well as in the proprietary fund. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Site Improvements	10-75 years
Vehicles	8-25 years
Other Equipment	5-15 years

Vacation, Sick Leave, and Other Compensated Absences - District employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Vacation can be carried over upon the superintendent's approval.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government only has two items that qualify for reporting in this category. Both are related to pension and OPEB liabilities as further described in Notes 8 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pension and OPEB liabilities as further described in Notes 8 and 10, as well as prepaid student balances.

Net Position/Fund Balances - In the government-wide financial statements and net position are either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as "nonspendable" include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as "restricted" when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, and at their highest level of action are reported as "committed" fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as "assigned" fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All other remaining governmental balances are reported as unassigned.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures/Expenses

Revenues and Expenditures/Expenses - Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues - Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied. Property taxes are recognized as revenue when payable to the County Treasurer. Due to the nature of Colorado school district funding, all uncollected property taxes levied in 2017 for collection in 2018 are identified as property taxes receivable at June 30.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2018, all the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	Bank Balance	Carrying Balance
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized*	1,482,844	1,472,381
Petty Cash	-	100
Total Cash and Investments	\$ 1,732,844	\$ 1,722,481

* - Not in District's name

These balances are presented in the financial statements as follows:

Government-wide	\$ 1,602,005
Fiduciary	120,476
Total Cash and Investments	\$ 1,722,481

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

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

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above. As of June 30, 2018, the District did not hold any investments.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2018, the District did not have any investments requiring safekeeping.

NOTE 3: INVENTORIES

Food Service Fund inventory as of June 30, 2018 of \$3,141, consisted of purchased and donated commodities amounting to \$1,686 and \$1,455, respectively. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 4: CAPITAL ASSETS

Activity for the District's governmental activity capital assets is as follows:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
<u>Governmental Activities</u>				
Capital assets not being depreciated				
Land	\$ 4,725	\$ -	\$ -	\$ 4,725
Total Capital assets not being depreciated	<u>4,725</u>	<u>-</u>	<u>-</u>	<u>4,725</u>
Capital assets being depreciated				
Land Improvements	175,365	-	-	175,365
Buildings	2,190,865	116,369	-	2,307,234
Transportation Equipment	314,498	-	-	314,498
Food Service Equipment	13,834	-	-	13,834
Other Equipment	122,513	25,757	-	148,270
Total Capital Assets being depreciated	<u>2,817,075</u>	<u>142,126</u>	<u>-</u>	<u>2,959,201</u>
Accumulated Depreciation				
Land Improvements	(77,689)	(3,905)	-	(81,594)
Buildings	(718,594)	(52,922)	-	(771,516)
Transportation Equipment	(216,463)	(13,233)	-	(229,696)
Food Service Equipment	(12,762)	(1,072)	-	(13,834)
Other Equipment	(111,862)	(4,302)	-	(116,164)
Total Accumulated Depreciation	<u>(1,137,370)</u>	<u>(75,434)</u>	<u>-</u>	<u>(1,212,804)</u>
Net Capital Assets	<u>\$ 1,684,430</u>	<u>\$ 66,692</u>	<u>\$ -</u>	<u>\$ 1,751,122</u>

Depreciation is allocated to the District's governmental activities as follows:

Instruction	\$ 41,857
Supporting Services	<u>33,577</u>
Depreciation Allocation	<u>\$ 75,434</u>

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are \$126,755 in the General Fund and \$3,983 in the Food Service Fund. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

LONE STAR SCHOOL DISTRICT 101**NOTES TO FINANCIAL STATEMENTS****June 30, 2018****NOTE 6: LONG-TERM OBLIGATIONS**

At June 30, 2018, the District included accrued compensated absences and pension liabilities in its long-term obligations. Changes in long-term obligations for the year ended June 30, 2018 is as follows:

	Restated Balance 7/1/17	Advances	Principal	Balance 6/30/18	Current Portion
Accrued Compensated Absences	\$ 8,710	\$ 710	\$ -	\$ 9,420	\$ -
2018 Copier Lease	-	3,582	143	3,439	1,758
HCTF OPEB Liability	139,026	5,408	-	144,434	-
PERA Net Pension Liability	5,805,521	519,363	-	6,324,884	-
	<u>\$ 5,953,257</u>	<u>\$ 529,063</u>	<u>\$ 143</u>	<u>\$ 6,482,177</u>	<u>\$ 1,758</u>

2018 Copier Capital Lease

In 2018, the District entered into a capital lease arrangement for the purchase of a copier. The lease was for \$3,582 and requires 2 annual payments of \$1,872 through 2020 at 4.31%. The District has not capitalized assets related to this lease as the asset value did not meet the District capitalization threshold.

Future minimum lease payments on the lease are as follows:

Year Ending June 30:	Totals
2019	\$ 1,872
2020	1,716
Total minimum lease payments	3,588
Less amount representing interest at 4.31%	(149)
Present value of minimum lease payments	<u>\$ 3,438</u>

NOTE 7: JOINTLY GOVERNED ORGANIZATION

The District in conjunction with other surrounding districts created the Northeast Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the fiscal year ended June 30, 2018, the District paid \$49,305 for assessments and other services to the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative office at: P O Box 98, Haxtun, CO 80731.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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

General Information about the Pension Plan

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan (Continued)

- 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.

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

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

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

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

January 1st through December 31st	2014¹	2015¹	2016¹	2017¹
Employer contribution rate	10.15%	10.15%	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)	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%
Total employer contribution rate to the SCHDTF	16.43%	17.33%	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$168,091 for the plan year ended December 31, 2017 and \$176,149 for the fiscal 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 \$6,324,884 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .01956%, which was an increase of .00006% from its proportion measured as of December 31, 2016.

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2018 the District recognized pension expense of \$1,277,932. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 115,608	\$ -
Changes of assumptions or other inputs	\$ 1,611,476	\$ (9,616)
Net difference between projected and actual earnings on pension plan	\$ 119,183	\$ (373,772)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 75,578	\$ (35,126)
Contributions subsequent to the measurement date	\$ 93,413	\$ -
Total	\$ 2,015,258	\$ (418,514)

\$93,413 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:	Fiscal Year Totals
2019	\$ 1,003,141
2020	586,258
2021	7,375
2022	(93,443)
Total	\$ 1,503,331

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (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%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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 rate 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

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

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

Several factors were considered in evaluating the long-term rate of return 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 analysis of the long-term expected rate of return, adopted by the PERA Board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric 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%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce estimated amount to 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 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future 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 on 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 increase 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** (Continued)

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond rate was used in the determination of the discount rate.

The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on or after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index 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 BOCES' 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%, 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%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension asset (liability)	\$ (7,989,404)	\$ (6,324,884)	\$ (4,968,490)

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.

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Changes between the measurement date of the net pension liability and June 30, 2018 (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 \$6,324,884 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18- 200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$2,857,528

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 \$2,952,495 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2018 program members contributed \$9,000 to the plan.

NOTE 10: POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

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

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan

Benefits Provided

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

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

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

PERA Benefit Structure

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

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 \$9,203, for the plan year ended December 31, 2017 and \$9,507 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$144,434 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.011114%, which was an increase of 0.000030% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$11,338. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 683	\$ -
Net difference between projected and actual earnings on pension plan	\$ -	\$ (2,416)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 329	\$ -
Contributions subsequent to the measurement date	\$ 4,981	\$ -
Total	\$ 5,993	\$ (2,416)

\$4,981 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, 2018. 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:	Fiscal Year Totals
2019	\$ (405)
2020	(405)
2021	(405)
2022	(405)
2023	(199)
2024	(18)
Total	\$ (1,837)

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:

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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 HCTF.

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

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

- **Males:** Mortality improved 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (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's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Discount Rate	1% Increase
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%
Proportionate share of the net OPEB asset (liability)	\$ (140,460)	\$ (144,434)	\$ (149,220)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** (Continued)

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

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

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (162,389)	\$ (144,434)	\$ (129,108)

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

NOTE 11: RISK MANAGEMENT

Property and Liability Coverage

The District belongs to the Colorado School District Self Insurance Pool ("CSDSIP") that was formed in 1981 to give individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member's premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2018.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District's financial statements.

Workers Compensation

The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

NOTE 12: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental and proprietary funds or the overall financial position of the District.

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Tabor Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate vote to retain the revenue. In November of 1996, the voters of the District approved a ballot measure which allows the District to retain, appropriate, and utilize the full revenues received from every source whatever, without limitation, in 1996 and all subsequent years. The Tabor Amendment is subject to many interpretations, but the District feels it is in substantial compliance with the Amendment. The District is required to set aside 3% of "fiscal year spending" as defined in the Amendment for an emergency reserve. At June 30, 2018, the District has reserved \$57,000 of fund balance in the General Fund to satisfy this requirement.

NOTE 13: INTERNAL ACTIVITY

The District is reporting a balance owed between the Pupil Activity Fund and the General Fund of \$1,135 representing receipts that were incorrectly deposited during prior fiscal years. The General Fund had cash resources available as of the end of the year to cover these amounts.

NOTE 14: DEFICIT NET POSITION

The Governmental Activities has an overall net position deficit of \$1,648,638 and an unrestricted net position deficit of \$3,453,321 primarily due to the PERA net pension liability of \$6,324,884 as further described in Note 8 and net OPEB liability of \$144,434 as further described in Note 10. As the District has no control over pension benefits or contribution rates, the District expects this deficit net position to continue for the foreseeable future.

NOTE 15: BUDGET VIOLATION

The District's expenditures exceeded appropriations in the Rhodes Scholarship Fund by \$(3,785). This may be a violation of state statutes.

LONE STAR SCHOOL DISTRICT 101

NOTES TO FINANCIAL STATEMENTS
June 30, 2018

NOTE 16: PRIOR PERIOD RESTATEMENT

For the fiscal year, the District adopted GASB Statement Number 68 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement places a long-term obligation, as well as related deferred outflows and inflows, on the Statement of Net Position related to future postemployment benefit obligations. The District has restated the beginning net position for the governmental activities for those balances that were applicable as of June 30, 2017. This restatement resulted in a net decrease in governmental activity net position of \$139,026.

REQUIRED SUPPLEMENTARY INFORMATION
(Pension and OPEB Schedules - Unaudited)

LONE STAR SCHOOL DISTRICT 101

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	6/30/18	6/30/17	6/30/16
District's proportion of the net pension asset (liability)	0.019560%	0.019499%	0.018354%
District's proportionate share of the net pension asset (liability)	\$ (6,324,884)	\$ (5,805,521)	\$ (2,807,047)
District's covered-employee payroll	\$ 902,262	\$ 875,137	\$ 799,844
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	701.00%	663.38%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

6/30/15	6/30/14
0.019862%	0.021412%
\$ (2,691,990)	\$ (2,731,049)
\$ 832,082	\$ 863,171
323.52%	316.40%
62.84%	64.07%

LONE STAR SCHOOL DISTRICT 101

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERA Pension Plan

Last 10 Fiscal Years⁽¹⁾

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Contractually required contributions	\$ 168,091	\$ 158,662	\$ 138,613
Actual contributions	<u>\$ (168,091)</u>	<u>\$ (158,662)</u>	<u>\$ (138,613)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 902,262	\$ 875,137	\$ 799,844
Contributions as a percentage of covered-employee payroll	18.63%	18.13%	17.33%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
\$ 136,711	\$ 134,051
<u>(136,711)</u>	<u>(134,051)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 832,082	\$ 863,171
16.43%	15.53%

LONE STAR SCHOOL DISTRICT 101

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

	06/30/18	06/30/17
District's proportion of the net pension asset (liability)	0.011114%	0.011083%
District's proportionate share of the net pension asset (liability)	\$ (144,434)	\$ (143,699)
District's covered-employee payroll	\$ 902,262	\$ 875,137
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

LONE STAR SCHOOL DISTRICT 101

**SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>06/30/18</u>	<u>06/30/17</u>
Contractually required contributions	\$ 9,203	\$ 8,926
Actual contributions	<u>(9,203)</u>	<u>(8,926)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 902,262	\$ 875,137
Contributions as a percentage of covered employee payroll	1.02%	1.02%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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REQUIRED SUPPLEMENTARY INFORMATION
(Budgetary Comparison Schedules)

LONE STAR SCHOOL DISTRICT 101
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES					
Local Sources					
Property Taxes	\$ 213,214	\$ 213,214	\$ 304,143	\$ 90,929	\$ 210,646
Specific Ownership Taxes	25,076	25,076	33,098	8,022	25,796
Delinquent Taxes	-	-	246	246	576
Investment Earnings	3,500	3,500	5,637	2,137	6,062
Pupil Activity Revenues	3,500	3,500	4,492	992	-
Rent Revenue	3,600	3,600	3,600	-	3,600
Insurance Proceeds	-	-	26,509	26,509	-
Other Local	42,000	38,000	29,489	(8,511)	23,348
Total Local Sources	290,890	286,890	407,214	120,324	270,028
Intermediate Sources					
Mineral Leases	80	80	102	22	83
State Sources					
State Equalization	1,343,867	1,343,867	1,347,369	3,502	1,343,171
Transportation	13,700	13,700	19,855	6,155	13,878
State Grants from CDE					
State ELPA	1,500	1,500	6,511	5,011	1,652
Read Act	847	847	2,442	1,595	847
Library Grant	3,500	3,500	3,500	-	3,500
Small Rural Schools Funding	40,304	40,304	40,366	62	-
Additional At-Risk Funding	543	543	472	(71)	592
State Vocational Education	45,000	45,000	39,140	(5,860)	45,731
State Grants Provided through BOCES	18,104	18,104	27,147	9,043	28,146
Total State Sources	1,467,365	1,467,365	1,486,802	19,437	1,437,517
Federal Sources					
Federal Grants from CDE					
RTTT Early Childhood	80	80	90	10	231
NCLB Title VI, Part B - REAP/Rural Education	21,000	21,000	20,189	(811)	18,522
Federal Provided through BOCES	12,300	12,300	14,642	2,342	11,292
Total Federal Sources	33,380	33,380	34,921	1,541	30,045
TOTAL REVENUES	1,791,715	1,787,715	1,929,039	141,324	1,737,673

See the accompanying Independent Auditors' Report

(Continued)

LONE STAR SCHOOL DISTRICT 101
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
EXPENDITURES					
Instruction					
Salaries	644,568	644,568	653,489	(8,921)	628,417
Benefits	255,337	255,337	220,933	34,404	216,741
PS - Professional	52,750	52,750	36,798	15,952	53,933
PS - Property	5,070	5,070	4,918	152	6,317
PS - Other	22,650	25,850	16,032	9,818	15,441
Supplies	69,369	69,369	71,674	(2,305)	33,425
Property	32,202	32,202	17,835	14,367	28,967
Other Expenses	8,700	4,700	6,744	(2,044)	2,300
Total Instruction	<u>1,090,646</u>	<u>1,089,846</u>	<u>1,028,423</u>	<u>61,423</u>	<u>985,541</u>
Supporting Services					
Pupil Support					
Salaries	-	-	-	-	2,125
PS - Professional	2,600	2,600	253	2,347	278
Supplies	2,125	2,125	1,465	660	-
Total Pupil Support	<u>4,725</u>	<u>4,725</u>	<u>1,718</u>	<u>3,007</u>	<u>2,403</u>
Staff Support					
Salaries	1,125	1,125	400	725	450
Benefits	244	244	17	227	30
PS - Professional	292	292	291	1	-
PS - Other	300	300	-	300	280
Total Staff Support	<u>1,961</u>	<u>1,961</u>	<u>708</u>	<u>1,253</u>	<u>760</u>
General Administration					
Salaries	70,411	66,411	70,398	(3,987)	47,149
Benefits	22,559	22,533	23,634	(1,101)	18,920
PS - Professional	57,205	57,205	8,046	49,159	8,846
PS - Other	13,200	13,200	59,532	(46,332)	58,540
Supplies	250	250	248	2	250
Property	500	500	500	-	1,000
Other Expenses	6,000	6,000	5,924	76	5,104
Total General Administration	<u>170,125</u>	<u>166,099</u>	<u>168,282</u>	<u>(2,183)</u>	<u>139,809</u>
School Administration					
Salaries	79,438	79,438	57,118	22,320	59,895
Benefits	28,249	27,925	26,845	1,080	26,881
PS - Other	2,000	2,000	2,000	-	1,647
Supplies	250	250	250	-	250
Total School Administration	<u>109,937</u>	<u>109,613</u>	<u>86,213</u>	<u>23,400</u>	<u>88,673</u>

See the accompanying Independent Auditors' Report

(Continued)

LONE STAR SCHOOL DISTRICT 101
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	23,777	23,777	22,634	1,143	28,958
Benefits	11,219	11,219	10,899	320	14,657
PS - Professional	8,500	8,500	7,137	1,363	8,059
PS - Other	1,600	1,600	1,082	518	842
Supplies	1,000	1,000	450	550	1,000
Property	500	500	4,082	(3,582)	1,000
Total Business Services	46,596	46,596	46,284	312	54,516
Operations and Maintenance					
Salaries	40,500	40,500	37,734	2,766	33,126
Benefits	14,234	14,234	13,771	463	12,396
PS - Property	30,300	30,300	33,733	(3,433)	45,994
PS - Other	4,000	4,000	2,576	1,424	4,324
Supplies	71,000	71,000	66,534	4,466	56,970
Property	1,000	1,000	1,900	(900)	1,109
Other Expenses	4,000	4,000	4,000	-	820
Total Operations and Maintenance	165,034	165,034	160,248	4,786	154,739
Transportation					
Salaries	33,955	33,955	36,790	(2,835)	29,772
Benefits	7,337	7,337	7,851	(514)	6,036
PS - Professional	800	800	718	82	608
PS - Property	15,200	15,200	15,200	-	12,543
PS - Other	250	250	250	-	250
Supplies	24,700	23,200	25,059	(1,859)	17,924
Property	-	-	171,150	(171,150)	90,335
Total Transportation	82,242	80,742	257,018	(176,276)	157,468
Risk Management					
PS - Other	45,000	45,000	41,770	3,230	38,035
Debt Service					
Principal	-	-	143	(143)	-
Interest	-	-	13	(13)	-
Total Debt Service	-	-	156	(156)	-
Contingency	246,573	246,573	-	246,573	-
TOTAL EXPENDITURES	<u>1,962,839</u>	<u>1,956,189</u>	<u>1,790,820</u>	<u>165,369</u>	<u>1,621,944</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(171,124)	(168,474)	138,219	306,693	115,729
OTHER FINANCING SOURCES (USES)					
Transfers	-	(25,000)	-	25,000	(25,000)
Capital Lease Proceeds	-	-	3,582	3,582	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(25,000)	3,582	28,582	(25,000)
CHANGE IN FUND BALANCE	(171,124)	(193,474)	141,801	335,275	90,729
BEGINNING FUND BALANCE	171,124	300,000	1,314,192	1,014,192	1,223,463
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 106,526</u>	<u>\$ 1,455,993</u>	<u>\$ 1,349,467</u>	<u>\$ 1,314,192</u>

See accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT BUDGETARY POLICIES

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles (except for the Enterprise Fund which budgets on the cash basis). Annual appropriated budgets are adopted for all funds except the Trust and Agency Funds. All annual appropriations lapse at fiscal year-end. The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- The District has until January 31st of each year to adjust its final budget.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted or amended by the Board of Education.
- Encumbrances represent a commitment for the estimated amount of expenditures which could ultimately result from the fulfillment of uncompleted purchase orders and contracts. Encumbrances lapse at the end of each fiscal year (June 30). Lapsed encumbrances are then reviewed by department heads to determine those that will remain canceled and those that will be reinstated and paid from appropriations for the following year. Encumbrances are therefore not considered expenditures until an actual liability is incurred. Encumbrances are not shown as a reservation of Fund balance at fiscal year-end because they have lapsed and are pending reinstatement.

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OTHER SUPPLEMENTARY INFORMATION

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SPECIAL REVENUE FUND

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes.

The District has one special revenue funds as follows:

Food Service Fund

The Food Service Fund accounts for all financial activities associated with the District's school lunch program.

LONE STAR SCHOOL DISTRICT 101
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Food Service Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			
	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES				
Local Sources				
Food Service Revenue	\$ 14,300	\$ 16,763	\$ 2,463	\$ 18,059
Other Local	-	-	-	18
Total Local Sources	<u>14,300</u>	<u>16,763</u>	<u>2,463</u>	<u>18,077</u>
State Sources				
State Grants from CDE				
State Match - Child Nutrition	10,000	498	(9,502)	419
Smart Start Nutrition	150	570	420	333
State K-2 Reduced Lunch	250	819	569	543
Total State Sources	<u>10,400</u>	<u>1,887</u>	<u>(8,513)</u>	<u>1,295</u>
Federal Sources				
Federal Grants from CDE				
School Breakfast Program	7,101	6,420	(681)	6,108
National School Lunch Program	13,000	22,979	9,979	22,394
Federal Grants from Other State Agencies				
Commodities	-	4,485	4,485	4,126
Total Federal Sources	<u>20,101</u>	<u>33,884</u>	<u>13,783</u>	<u>32,628</u>
TOTAL REVENUES	<u>44,801</u>	<u>52,534</u>	<u>7,733</u>	<u>52,000</u>
EXPENDITURES				
Supporting Services				
Food Service				
Salaries	20,967	21,148	(181)	19,411
Benefits	9,336	9,423	(87)	9,017
PS - Property	1,000	1,558	(558)	869
Supplies	5,750	1,644	4,106	1,243
Food	27,000	21,717	5,283	21,870
Commodities	-	4,485	(4,485)	4,277
Property	-	2,770	(2,770)	-
Total Food Service	<u>64,053</u>	<u>62,745</u>	<u>1,308</u>	<u>56,687</u>
Contingency	<u>18,606</u>	<u>-</u>	<u>18,606</u>	<u>-</u>
TOTAL EXPENDITURES	<u>82,659</u>	<u>62,745</u>	<u>19,914</u>	<u>56,687</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(37,858)	(10,211)	27,647	(4,687)
OTHER FINANCING SOURCES (USES)				
Transfers	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>25,000</u>
CHANGE IN FUND BALANCE	(12,858)	(10,211)	2,647	20,313
BEGINNING FUND BALANCE	<u>12,858</u>	<u>36,471</u>	<u>23,613</u>	<u>16,158</u>
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 26,260</u>	<u>\$ 26,260</u>	<u>\$ 36,471</u>

See accompanying Independent Auditors' Report.

FIDUCIARY FUNDS

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private and student groups.

The District has established agency funds to account for various student activity groups and contributions from private organizations as well as its scholarship activity. The agency funds are custodial in nature and do not involve measurement of results of operations.

LONE STAR SCHOOL DISTRICT 101
Schedule of Revenues, Expenses and Changes in Fiduciary Net Position
Budget and Actual
Fiduciary Funds
Rhodes Scholarship Agency Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			
	Final		Variance	2017
	Budget	Actual	with Final	Actual
	Budget	Actual	Budget	Actual
ADDITIONS				
Local Sources	\$ -	\$ 5,113	\$ 5,113	\$ 3,031
DEDUCTIONS				
Instruction	1,000	4,785	(3,785)	-
CHANGE IN NET POSITION	(1,000)	328	1,328	3,031
BEGINNING NET POSITION	1,000	32,080	31,080	29,049
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 32,408</u>	<u>\$ 32,408</u>	<u>\$ 32,080</u>

See accompanying Independent Auditors' Report.

LONE STAR SCHOOL DISTRICT 101**Schedule of Revenues, Expenses and Changes in Fiduciary Net Position****Budget and Actual****Fiduciary Funds****Pupil Activity Agency Fund****For the Year Ended June 30, 2018****(With Comparative Totals for the Year Ended June 30, 2017)**

	2018			2017
	Final Budget	Actual	Variance with Final Budget	Actual
ADDITIONS				
Local Sources	\$ 100,000	\$ 108,640	\$ 8,640	\$ 72,616
DEDUCTIONS				
Instruction	100,000	85,109	14,891	70,104
CHANGE IN NET POSITION	-	23,531	23,531	2,512
BEGINNING NET POSITION	-	65,672	65,672	63,160
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 89,203</u>	<u>\$ 89,203</u>	<u>\$ 65,672</u>

See accompanying Independent Auditors' Report.

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STATE COMPLIANCE



Colorado Department of Education

Auditors Integrity Report

District: 3060 - LONE STAR 101

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	1,314,192	1,932,622	1,790,820	1,455,993
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,314,192	1,932,622	1,790,820	1,455,993
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	36,471	52,534	62,745	26,260
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	0	0	0	0
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	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	1,350,663	1,985,156	1,853,565	1,482,253
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	32,080	5,113	4,785	32,408
74 Pupil Activity Agency Fund	65,672	108,640	85,109	89,203
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	97,752	113,753	89,894	121,611

FINAL



Colorado Department of Education

Bolded Balance Sheet Report

District: 3060 - LONE STAR 101

Fiscal Year 2017-18

Colorado School District/BOCES

See accompanying Independent Auditors' Report

Governmental										Proprietary					Fiduciary		
ASSETS	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals		
Cash and Investments (8100-8104,8111)	1,571,986	0	0	0	0	30,018	0	0	0	0	0	0	120,476	0	1,722,481		
Cash with Fiscal Agent (8105)	4,708	0	0	0	0	0	0	0	0	0	0	0	0	0	4,708		
Taxes Receivable (8121,8122)	11,477	0	0	0	0	0	0	0	0	0	0	0	0	0	11,477		
Interfund Loans Receivable (8131,8132)	0	0	0	0	0	0	0	0	0	0	0	0	1,135	0	1,135		
Grants Accounts Receivable (8142)	4,755	0	0	0	0	0	0	0	0	0	0	0	0	0	4,755		
Other Receivables (8151-8154,8161)	0	0	0	0	0	885	0	0	0	0	0	0	0	0	885		
Inventories (8171,8172,8173)	0	0	0	0	0	3,141	0	0	0	0	0	0	0	0	3,141		
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Total Assets	1,592,927	0	0	0	0	34,044	0	0	0	0	0	0	121,611	0	1,748,582		

<u>LIABILITIES & FUND EQUITY</u>																
LIABILITIES	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
	Interfund Payables (7401,7402)	1,135	0	0	0	0	0	0	0	0	0	0	0	0	1,135	
	Other Payables (7421-7423)	8,648	0	0	0	0	2,494	0	0	0	0	0	0	0	11,142	
	Accrued Expenses (7461)	126,755	0	0	0	0	3,983	0	0	0	0	0	0	0	130,738	
	Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Grants Deferred Revenue (7482)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Compensated Absences (7541)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
	Deferred Inflow (7800)	0	0	0	0	0	1,307	0	0	0	0	0	0	0	1,307	
	Deferred Inflow Grants (7801)	396	0	0	0	0	0	0	0	0	0	0	0	0	396	
	Total Liabilities	136,933	0	0	0	0	7,784	0	0	0	0	0	0	0	0	144,718

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	3,141	0	0	0	0	0	0	0	0	3,141
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	57,000	0	0	0	0	0	0	0	0	0	0	0	0	0	57,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	23,119	0	0	0	0	0	0	0	0	23,119
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,398,993	0	0	0	0	0	0	0	0	0	0	0	121,611	0	1,520,605
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	1,455,993	0	0	0	0	26,260	0	0	0	0	0	0	121,611	0	1,603,864

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	1,592,927	0	0	0	0	34,044	0	0	0	0	0	0	121,611	0	1,748,582

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
For Each Fund Type: Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes