



South Rount School District RE-3

FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2019

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

December 20, 2019

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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



South Routt School District No. RE-3  
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### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3, as of June 30, 2019, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Supplementary Information*

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

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

**South Routt School District RE-3  
Management's Discussion and Analysis  
As of and for the fiscal year ended June 30, 2019**

As management of the South Routt School District RE-3, Routt County, Colorado (the District), we offer readers the District's Annual Financial Report, a narrative and analysis of the financial activities for fiscal year ending June 30, 2019.

**Financial Highlights**

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,345,987 (*net position* for the primary reporting entity).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,613,666, an increase of \$118,811 in comparison with the prior year. Of this amount, \$1,948,334 is *available for spending* at the District's discretion (*unassigned fund balance*).
- There was a change in estimate to PERA pension plan, plus an increase of the District's Mill Levy for this fiscal year.
- The District's long-term obligations decreased by \$755,000 as a result of current year payments on bonded debt.

**Overview of the Financial Statements**

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

**District-wide Financial Statements**

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

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

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

The district-wide financial statements consolidated governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects, and special revenue funds.

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

### **Fund Financial Statements**

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

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

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

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

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

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

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

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

The fiduciary fund financial statements are presented on page 18.

### **Notes to the Basic Financial Statements**

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

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains certain required supplementary information concerning the net pension liability schedules, pages 52-55. It also contains supplementary information concerning budget to actual comparisons for all of the District's funds, as well as fund statements, on pages 56-61 of this report.

**District-wide Financial Analysis****District-wide Net Position**

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenue, interest payable, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during the fiscal year ending June 30, 2020. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after the end of the fiscal year 2020.

The liabilities and deferred inflows of resources of the District activities exceed assets and deferred outflow of resources by \$3,345,987 with an unrestricted net position balance of \$(11,036,917). Total net position of the District does not include internal balances.

A net investment of \$6,029,947 of capital assets were provided to the District's 311 students enrolled in fiscal year 2018-2019. A net position of \$1,436,195 in debt service fund is restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR and multiple year commitment reserves are restricted.

Business-type activities did not occur in Fiscal Year 2018 or 2019.

The following table shows net position for fiscal year 2019, 2018, and 2017.

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

	Governmental Activities		
	6/30/2019	6/30/2018	6/30/2017
<b>Assets:</b>			
Current Assets	\$ 4,307,125	\$ 4,126,687	\$ 3,726,977
Other Assets	473,667	356,152	-
Capital Assets net of depreciation	8,766,172	9,427,448	10,062,769
Total assets	13,546,964	13,910,287	13,789,746
Deferred Outflows	2,852,182	5,607,545	6,912,439
<b>Liabilities:</b>			
Current liabilities	1,793,459	1,631,041	1,359,762
Noncurrent liabilities	10,790,722	21,714,540	20,593,472
Total liabilities	12,584,181	23,345,581	21,953,234
Deferred outflows	7,160,952	1,005,152	557,810
<b>Net position:</b>			
Net investment in capital assets	6,029,947	5,954,851	6,608,802
Restricted	1,660,983	1,617,908	1,720,244
Unrestricted	(11,036,917)	(12,405,660)	(10,137,905)
Total net position	\$ (3,345,987)	\$ (4,832,901)	\$ (1,808,859)

**District-wide activities**

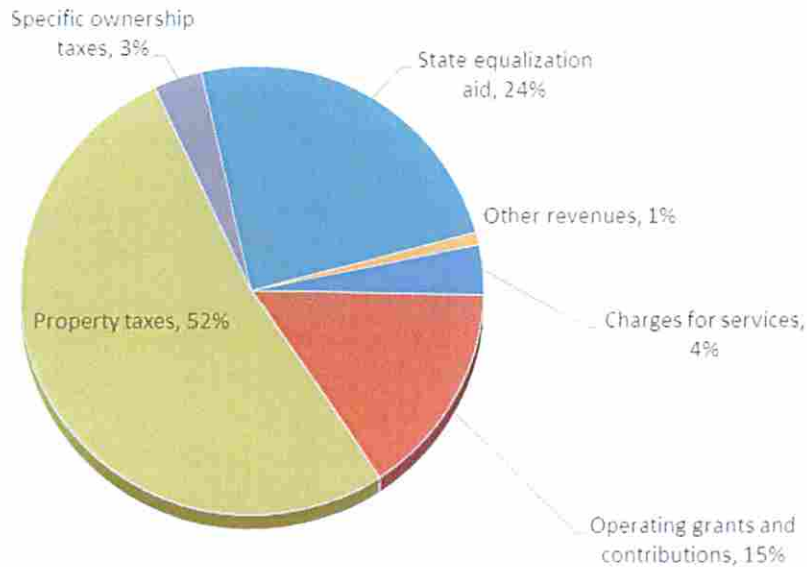
- The District-wide activities increased their net position of the District by \$1,486,914 during the year ending June 30, 2019. The cause of this increase relates to change in accounting estimate in reporting the net pension liability from PERA.

The following table shows the change in net position for fiscal years 2019, 2018, and 2017.

**South Rountt School District  
Condensed Statement of Changes in Net Position**

	Governmental Activities		
	6/30/2019	6/30/2018	6/30/2017
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	\$ 258,286	\$ 259,105	\$ 253,638
Operating grants and contributions	1,116,240	1,096,237	940,978
Capital Grants and Contributions	337,152	147,471	-
<b>General Revenues:</b>			
Property taxes	3,783,670	3,582,255	3,668,788
Specific ownership taxes	247,302	308,443	280,197
Investment earnings	68,986	34,416	21,427
State equalization aid	1,761,032	1,619,115	1,376,129
Other state aid, mineral lease	1,058	3,705	
Other revenues	64,894	100,429	74,184
<b>Total Revenues:</b>	<b>7,638,620</b>	<b>7,151,176</b>	<b>6,615,341</b>
<b>Expenses</b>			
<b>Governmental activities:</b>			
Instruction	3,147,646	5,772,245	5,283,372
Pupil support services	339,018	360,392	290,502
Instructional staff	189,507	225,629	252,889
General administration	339,112	692,656	660,277
School administration	139,209	505,793	486,589
Business services	300	937	584
Plant maintenance and operations	1,365,061	1,256,769	944,359
Transportation	192,641	347,361	365,485
Central support	202,975	244,016	212,741
Interest expenses	55,447	68,880	108,928
Food services	184,902	282,498	258,306
<b>Total Expenses:</b>	<b>6,155,819</b>	<b>9,757,176</b>	<b>8,864,032</b>
<b>Excess before transfers and other</b>	<b>1,482,801</b>	<b>(2,606,000)</b>	<b>(2,248,691)</b>
<b>Proceeds of note receivable</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Gain (loss) on sale of capital assets</b>	<b>4,113</b>	<b>7,166</b>	<b>1,750</b>
<b>Change in net position</b>	<b>1,486,914</b>	<b>(2,598,834)</b>	<b>(2,246,941)</b>
<b>Beginning net position</b>	<b>(4,832,901)</b>	<b>(1,808,859)</b>	<b>438,082</b>
<b>Change in accounting principles</b>		<b>(425,208)</b>	<b>-</b>
<b>Net Position - beginning reinstated</b>	<b>(4,832,901)</b>	<b>(2,234,067)</b>	<b>438,082</b>
<b>Ending net position:</b>	<b>\$ (3,345,987)</b>	<b>\$ (4,832,901)</b>	<b>\$ (1,808,859)</b>

## Revenues by Source - Governmental Activities



### Financial Analysis of the District's Governmental Funds

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

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

The Per Pupil Funding (PPF) increased from \$10,521 to \$11,223.

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

The capital projects fund is accumulating resources to fund future capital improvements and acquisitions. Fund balance in this fund decreased \$(340,931) since there was no transfer from the general fund during the current year.

### General Fund Budgetary Highlights

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

- State equalization decreased by almost \$141,917 due to recalculation of the finance formula, and
- Expenses were adjusted based on actual hires and expenditures for the first half of the year.

### Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2019 decreased to \$8,766,172 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment.

**South Routt School District RE-3  
Capital Assets (net of accumulated depreciation)  
June 30, 2019**

	Governmental Activities
Land	\$ 1,752,794
Buildings	6,860,944
Equipment	<u>152,434</u>
	<u>\$ 8,766,172</u>

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

At June 30, 2019, the District had total bonded debt outstanding of \$1,975,000 backed by the full faith and credit of the District.

**South Routt School District RE-3  
Outstanding Debt  
June 30, 2019**

	Governmental Activities
2014 G.O. Bonds	\$ <u>1,975,000</u>

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

The District maintains an "AAA" rating from Moody's for all general obligation debt.

State statutes limit the amount of general obligation debt to \$18,580,620, which is significantly in excess of the District's outstanding general obligation debt.

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

## **Economic Factors and Next Year's Budgets and Rates**

### **Budget**

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

### **School Report Cards**

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

### **Requests for Information**

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

South Routt School District RE-3  
Accounting Office  
P.O. Box 158  
Oak Creek, CO 80467

South Routt School District RE-3  
STATEMENT OF NET POSITION  
June 30, 2019

	Governmental Activities
<b>ASSETS</b>	
Cash and investments	\$ 4,307,125
Property taxes receivable (net)	223,387
Due from other governments	132,086
Due from other funds	4,360
Other receivables	107,713
Inventories	6,121
Capital assets, net of accumulated depreciation	8,766,172
Total assets	13,546,964
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred charge on refunded debt	52,666
Deferred outflows related to pension	2,776,519
Deferred outflows related to OPEB liability	22,997
Total deferred outflows of resources	2,852,182
<b>LIABILITIES</b>	
Accounts payable and other accrued liabilities	251,745
Accrued compensation	498,743
Accrued interest	3,794
Unearned revenues	269,177
<b>Noncurrent Liabilities</b>	
Due within one year	
Bonds	770,000
Due in more than one year	
Bonds	1,248,891
Compensated absences	61,338
Net pension liability	9,029,534
Net pension obligation	450,959
Total liabilities	12,584,181
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pension	7,152,887
Deferred inflows related to OPEB	8,065
Total deferred inflows of resources	7,160,952
<b>NET POSITION</b>	
Net investment in capital assets	6,029,947
Restricted for:	
Debt service	1,436,195
TABOR	194,288
Multiple year commitments	30,500
Unrestricted	(11,036,917)
Total net position	\$ (3,345,987)

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

South Routt School District RE-3  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities	
<b>Governmental activities:</b>					
Instruction	\$ 3,147,646	\$ 187,755	\$ 725,444	\$ -	\$ (2,234,447)
Pupil support services	339,018	-	239,523	-	(99,495)
Instructional staff	189,507	-	41,675	-	(147,832)
General administration	339,112	-	-	-	(339,112)
School administration	139,209	-	-	-	(139,209)
Business services	300	-	-	-	(300)
Maintenance and operations	1,365,061	-	720	337,152	(1,027,189)
Transportation	192,641	-	41,119	-	(151,522)
Central support	202,975	-	-	-	(202,975)
Food service	184,902	70,531	67,759	-	(46,612)
Interest on long-term debt	55,447	-	-	-	(55,447)
<b>Total</b>	<b>\$ 6,155,819</b>	<b>\$ 258,286</b>	<b>\$ 1,116,240</b>	<b>\$ 337,152</b>	<b>(4,444,141)</b>
<b>General revenues:</b>					
<b>Property Taxes:</b>					
					2,963,386
					820,284
					247,302
					1,761,032
					1,058
					14,958
					68,986
					4,113
					49,936
				<b>Total general revenues</b>	<b>5,931,055</b>
				Change in net position	1,486,914
				Net position - beginning	(4,832,901)
				Net position - ending	<b>\$ (3,345,987)</b>

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

South Routt School District RE-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2019

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$1,930,581	\$ -	\$445,216	\$ 19,914	\$ 2,395,711
Investments	-	1,911,414	-	-	1,911,414
Property taxes receivable	177,186	46,201	-	-	223,387
Due from other governments	132,086	-	-	-	132,086
Due from other funds	765,602	-	-	-	765,602
Inventory	-	-	-	6,121	6,121
Other receivables	107,713	-	-	-	107,713
Total assets	<u>\$3,113,168</u>	<u>\$1,957,615</u>	<u>\$445,216</u>	<u>\$ 26,035</u>	<u>\$ 5,542,034</u>
<b>LIABILITIES</b>					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 251,720	\$ -	\$ 25	\$ -	\$ 251,745
Accrued compensation	480,245	-	-	18,498	498,743
Due to other funds	-	489,494	202,803	68,945	761,242
Unearned revenues	92,546	-	174,197	2,434	269,177
Total liabilities	<u>824,511</u>	<u>489,494</u>	<u>377,025</u>	<u>89,877</u>	<u>1,780,907</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable property taxes	115,535	31,926	-	-	147,461
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	6,121	6,121
Restricted					
Emergencies	194,288	-	-	-	194,288
Debt service	-	1,436,195	-	-	1,436,195
Multiple year commitments	30,500	-	-	-	30,500
Assigned to					
Other capital projects	-	-	68,191	-	68,191
Unassigned	1,948,334	-	-	(69,963)	1,878,371
Total fund balances	<u>2,173,122</u>	<u>1,436,195</u>	<u>68,191</u>	<u>(63,842)</u>	<u>3,613,666</u>
Total liabilities, deferred inflows, and fund balances	<u>\$3,113,168</u>	<u>\$1,957,615</u>	<u>\$445,216</u>	<u>\$ 26,035</u>	<u>\$ 5,542,034</u>

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

South Routt School District RE-3  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 June 30, 2019

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Total fund balances, governmental funds \$ 3,613,666

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. 8,766,172

Deferred charge on refunded debt is not a financial resource and therefore is not reported as an asset in the governmental funds 52,666

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 147,461

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.

Long-term liabilities at year end consist of:

Bonds payable	(1,975,000)	
Bonds interest payable	(3,794)	
Compensated absences	(61,338)	
Premium on bonds	(43,891)	
Net pension obligation	(9,029,534)	
Net OPEB obligation	(450,959)	
Deferred inflows related to OPEB	(8,065)	
Deferred inflows related to pension	(7,152,887)	
Deferred outflows related to OPEB	22,997	
Deferred outflows related to pension	2,776,519	(15,925,952)

Total net position, governmental activities \$ (3,345,987)

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

South Routt School District RE-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2019

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Property taxes	\$2,943,606	\$ 809,598	\$ -	\$ -	\$ 3,753,204
Specific ownership taxes	247,302	-	-	-	247,302
Federal sources	157,756	-	-	61,677	219,433
State sources					
Equalization	1,761,032	-	-	-	1,761,032
Transportation	41,119	-	-	-	41,119
Other State	640,030	-	337,151	2,332	979,513
County sources, mineral leases	1,058	-	-	-	1,058
Local and intermediate sources	455,881	-	-	74,282	530,163
Interest	28,159	30,107	10,720	-	68,986
Total revenues	<u>6,275,943</u>	<u>839,705</u>	<u>347,871</u>	<u>138,291</u>	<u>7,601,810</u>
<b>EXPENDITURES</b>					
Current					
Instruction services	3,272,861	-	-	-	3,272,861
Supporting services					
Pupil support services	364,682	-	-	-	364,682
Instructional staff	230,027	-	-	-	230,027
General administration	421,589	-	-	-	421,589
School administration	198,442	-	-	-	198,442
Business services	300	-	-	-	300
Operations and maintenance	650,226	-	-	-	650,226
Transportation	299,577	-	-	-	299,577
Central support	210,885	-	-	-	210,885
Food services	-	-	-	212,847	212,847
Capital outlay	97,383	-	692,916	1,302	791,601
Debt service					
Principal	-	755,000	-	-	755,000
Interest	-	53,075	-	-	53,075
Total expenditures	<u>5,745,972</u>	<u>808,075</u>	<u>692,916</u>	<u>214,149</u>	<u>7,461,112</u>
Excess of revenues over (under) expenditures	529,971	31,630	(345,045)	(75,858)	140,698
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from sale of assets	-	-	4,113	-	4,113
Transfers out	(26,000)	-	-	-	(26,000)
Total other financing sources and uses	<u>(26,000)</u>	<u>-</u>	<u>4,113</u>	<u>-</u>	<u>(21,887)</u>
Net change in fund balances	503,971	31,630	(340,932)	(75,858)	118,811
Fund balance, beginning of year	1,669,151	1,404,565	409,123	12,016	3,494,855
Fund balance, end of year	<u>\$2,173,122</u>	<u>\$1,436,195</u>	<u>\$ 68,191</u>	<u>\$ (63,842)</u>	<u>\$ 3,613,666</u>

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

South Rount School District RE-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2019

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Total net change in fund balances, governmental funds \$ 118,811

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

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

Depreciation expense	(724,583)	
Capital outlays	<u>63,307</u>	(661,276)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 755,000

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount. 30,466

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

Compensated absences	(4,454)	
OPEB expense	(5,390)	
Pension expense	<u>1,256,127</u>	1,246,283

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

Amortization of loss on refunding	(21,789)	
Bond premium accretion	<u>18,161</u>	(3,628)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,258

Change in net position, governmental activities \$ 1,486,914

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

South Routt School District RE-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 2,773,129	\$ 2,994,039	\$ 2,943,606	\$ (50,433)
Specific ownership taxes	260,000	260,000	247,302	(12,698)
Federal sources	202,295	228,312	157,756	(70,556)
State sources				
Equalization	2,132,198	1,723,114	1,761,032	37,918
Transportation	-	40,167	41,119	952
Other State	-	597,921	640,030	42,109
County sources, mineral leases	-	3,700	1,058	(2,642)
Local and intermediate sources	526,878	558,428	455,881	(102,547)
Interest	4,500	10,000	28,159	18,159
Total revenues	<u>5,899,000</u>	<u>6,415,681</u>	<u>6,275,943</u>	<u>(139,738)</u>
<b>EXPENDITURES</b>				
Current				
Instruction services	3,191,799	3,490,686	3,275,292	215,394
Supporting services				
Pupil support services	361,226	418,572	364,682	53,890
Instructional staff	177,730	226,730	230,027	(3,297)
General administration	452,333	452,333	422,803	29,530
School administration	203,937	203,937	198,442	5,495
Business services	-	-	300	(300)
Operations and maintenance	450,775	732,275	651,226	81,049
Transportation	176,367	241,867	299,577	(57,710)
Central support	209,549	348,049	303,623	44,426
Contingency	1,625,925	1,625,925	-	1,625,925
Total expenditures	<u>6,849,641</u>	<u>7,740,374</u>	<u>5,745,972</u>	<u>1,994,402</u>
Excess of revenues over (under) expenditures	(950,641)	(1,324,693)	529,971	1,854,664
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(230,000)	(334,860)	(26,000)	308,860
Total other financing sources and uses	<u>(230,000)</u>	<u>(334,860)</u>	<u>(26,000)</u>	<u>308,860</u>
Net change in fund balances	(1,180,641)	(1,659,553)	503,971	2,163,524
Fund balance, beginning of year	1,625,925	1,659,553	1,669,151	9,598
Fund balance, end of year	<u>\$ 445,284</u>	<u>\$ -</u>	<u>\$ 2,173,122</u>	<u>\$ 2,173,122</u>

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

South Rount School District RE-3  
STATEMENT OF FIDUCIARY NET POSITION  
JUNE 30, 2019

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	<u>Student Activity Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 67,345
Total assets	<u>\$ 67,345</u>
<b>LIABILITIES</b>	
Due to General Fund	\$ 4,360
Due to student groups	62,985
Total liabilities	<u>\$ 67,345</u>

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

In conformance with GASB, South Routt School District RE-3, Routt County, Oak Creek, Colorado, is the reporting entity for financial report purposes. The District is the primary government financially accountable for all activities of public school instruction within the geographical area organized as South Routt School District RE-3. The District meets the criteria of a primary government: its Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

The financial statements of the District include all funds that are controlled by or are fiscally dependent upon the Board of Education. Control by or dependence on the Board of Education is determined on the basis of budget adoption, taxing authority, outstanding debt which may be secured by general obligation of the District, and the responsibility of the District to finance debt or make subsidies to funds.

2. Government-wide and fund financial statements

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

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Additionally, the District reports the following fund type:

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

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

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

***Deposits and Investments***

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

***Receivables and Payables***

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

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

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

***Inventories***

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

South Rount School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Capital Assets***

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

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

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

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

***Compensated Absences***

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

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

***Accrued Salaries***

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 30, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2019, are reflected in the financial statements as an accrued liability.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-Term Obligations***

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

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

***Deferred Outflows/Inflows of Resources***

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

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

***Fund Equity***

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

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

**South Routt School District's Comprehensive Fund Balance Policy:**

**Order of Fund Balance Spending Policy**

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

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

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

**Nonspendable:**

The Food Service fund has nonspendable funds related to inventory of \$6,121.

**Assigned:**

The Capital Projects fund assigns \$68,191 for future capital projects.

The Food Service fund assigns \$0 for food service operations.

**Restricted:**

Emergency Reserves: Tax, Spending and Debt Limitations amendment requires local governments to establish Emergency Reserves. The District has restricted \$194,288 of fund balance for this reserve. See Note F for further information regarding the limitations of this State amendment.

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

Debt Service restricts \$1,436,195 for debt service payments stipulated by bond documents.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Use of Estimates*

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

5. Jointly Governed Organization

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

6. Budgetary Information

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

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

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. The Board of Education may authorize supplemental appropriations during the year. Supplemental appropriations were necessary during the fiscal year ended June 30, 2019. The Food Service fund experienced expenditures in excess of appropriations of \$1,633 for 2018/2019.

Revenues for the General Fund are budgeted in accordance with the Colorado School Finance Formula, based on student count. Funded pupils for the fiscal year ended June 30, 2019 were 327.

7. Pensions

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

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. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

- 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.
8. Defined Benefit Other Post Employment Benefit Plan (OPEB)

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

**NOTE B - DEPOSITS AND INVESTMENTS**

***Deposits***

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

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At June 30, 2019 the District's cash deposits had a book balance of \$(31,542), and a corresponding bank balance of \$121,310. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The negative bank balance is due to checks written prior to transfers for the Colortrust account to the General Fund operating account. The bank balance of \$121,310 was covered by federal deposit insurance.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

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

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

State statutes do not address custodial risk.

At June 30, 2019, the District's deposits, classified as investments, are as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Total Fair Value</u>
COLOTRUST	Less than 1 year	\$ 4,406,012
	Total	<u>\$ 4,406,012</u>

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

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agencies. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies. As of June 30, 2019, the local government investment pools in which the District participates, COLOTRUST, was rated AAAm by Standard and Poor's, and maintain a constant net asset value of \$1 per share.

Concentration Risk – At June 30, 2019, the District's investment in COLOTRUST represented 100% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

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

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**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

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

Cash in banks	\$	(31,542)
Investments		<u>4,406,012</u>
Total	\$	<u><u>4,374,470</u></u>
Statement of Net Position:		
Cash and investments	\$	4,307,125
Statement of Fiduciary Net Position:		
Cash and cash equivalents		<u>67,345</u>
Total Cash and investments	\$	<u><u>4,374,470</u></u>

**NOTE C - INTERFUND BALANCES**

Interfund receivables and payables at June 30, 2019 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 765,602	\$ -
Debt Service	-	489,494
Capital Reserve	-	202,803
Nonmajor	-	68,945
Student Activity	-	<u>4,360</u>
	<u>\$ 765,602</u>	<u>\$ 765,602</u>

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

Interfund transfers made during the year ended June 30, 2019 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ -	\$ 26,000
Student Activity	<u>26,000</u>	<u>-</u>
	<u>\$ 26,000</u>	<u>\$ 26,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. During 2018/2019 transfers that were authorized as part of the budget were not made except for the Student Activity Fund.

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**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Balance</u> <u>July 1, 2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2019</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,082,075	\$ -	\$ -	\$ 1,082,075
Site	670,719	-	-	670,719
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets, not being depreciated	1,752,794	-	-	1,752,794
Capital assets, being depreciated:				
Buildings	5,526,548	-	-	5,526,548
Site improvements	15,987,402	55,978	-	16,043,380
Equipment	1,115,416	7,329	74,928	1,047,817
Food service equipment	<u>171,053</u>	<u>-</u>	<u>-</u>	<u>171,053</u>
Total capital assets being depreciated	22,800,419	63,307	74,928	22,788,798
Less accumulated depreciation:				
Buildings	4,927,261	35,390	-	4,962,651
Site improvements	9,083,588	662,745	-	9,746,333
Equipment	957,721	23,837	74,928	906,630
Food service equipment	<u>157,195</u>	<u>2,611</u>	<u>-</u>	<u>159,806</u>
Total accumulated depreciation	<u>15,125,765</u>	<u>724,583</u>	<u>74,928</u>	<u>15,775,420</u>
Total capital assets being depreciated, net	<u>7,674,654</u>	<u>(661,276)</u>	<u>-</u>	<u>7,013,378</u>
Governmental activities capital-assets, net	<u>\$ 9,427,448</u>	<u>\$ (661,276)</u>	<u>\$ -</u>	<u>\$ 8,766,172</u>

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

Instruction	\$ 704,778
Administration	2,305
Transportation	7,500
Food service	2,611
Plant maintenance	<u>7,389</u>
Total governmental activities	<u>\$ 724,583</u>

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**NOTE E - LONG-TERM OBLIGATIONS**

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

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

Fiscal Year Ending		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
June 30,				
2020	\$	37,825	\$ 770,000	\$ 807,825
2021		20,313	785,000	805,313
2022		<u>5,250</u>	<u>420,000</u>	<u>425,250</u>
Total	\$	<u>63,388</u>	<u>\$ 1,975,000</u>	<u>\$ 2,038,388</u>

*Changes in Long-Term Debt.* During the period ended June 30, 2019, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>6/30/18</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/19</u>	<u>Due within</u> <u>one year</u>
General obligation bond 2014	\$ 2,730,000	\$ -	\$ 755,000	\$ 1,975,000	\$ 770,000
Bond premium, 2014 bonds	62,052	-	18,161	43,891	18,162
Compensated absences	<u>56,884</u>	<u>4,454</u>	<u>-</u>	<u>61,338</u>	<u>-</u>
	<u>\$ 2,848,936</u>	<u>\$ 4,454</u>	<u>\$ 773,161</u>	<u>\$ 2,080,229</u>	<u>\$ 788,162</u>

Liabilities for compensated absences are liquidated by the General Fund.

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**NOTE F - TAX, SPENDING, AND DEBT LIMITATION**

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted in the General Fund at June 30, 2019 for *TABOR* equaled \$194,228. The District restricts a portion of its fund balance in further compliance with *TABOR*.

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

**NOTE G - CONTINGENCIES**

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

**NOTE H - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2018.* 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

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**NOTE H - DEFINED BENEFIT 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.

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified in C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

*Contributions provisions as of June 30, 2019:* Eligible employees, the District and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	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)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.13%</b>	<b>19.13%</b>

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$561,615 for the year ended June 30, 2019.

*On-behalf contributions to SCHDTF.* The State of Colorado makes employer pension contributions on behalf of the District. For the year ended June 30, 2019, State of Colorado contributions recognized by the District were based on the State's proportionate share of the collective NPL associated with the District, and the District recognized revenue and expenditures of \$73,331 in pension contributions from the State of Colorado.

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of \$9,029,534 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District proportionate share of the net pension liability	\$9,029,534
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	\$1,086,148
Total	\$10,115,682

At December 31, 2018, the District proportion was 0.050994 percent, which was a decrease of .008328 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of (\$688,169) and revenue of \$6,343 for support from the State as a nonemployer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	306,292	-
Changes of assumptions or other inputs	1,685,402	5,615,399
Net difference between projected and actual earnings on pension plan investments	492,166	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,537,488
Contributions subsequent to the measurement date	292,659	N/A
Total	2,776,519	7,152,887

\$292,659 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30, 2019:</b>	
2020	(968,248)
2021	(2,393,135)
2022	(1,576,867)
2023	269,223
2024	-
Thereafter	-

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

*Actuarial assumptions.* The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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.

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

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

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

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

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

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

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

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%
<b>Total</b>	<b>100.00%</b>	

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

*Discount rate.* The discount rate used to measure the total pension liability was 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:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	11,479,508	9,029,534	6,973,593

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's CAFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

**General Information about the OPEB Plan**

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

*Benefits provided.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF).

The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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

*PERA Benefit Structure*

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

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

*DPS Benefit Structure*

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$29,944 for the year ended June 30, 2019.

South Rount School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

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

At June 30, 2019, the District reported a liability of \$450,959 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was 0.03315 percent, which was a decrease of .00056 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$35,333. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	1,637	686
Changes of assumptions or other inputs	3,163	-
Net difference between projected and actual earnings on OPEB plan investments	2,593	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	7,379
Contributions subsequent to the measurement date	15,604	N/A
<b>Total</b>	<b>22,997</b>	<b>8,065</b>

\$15,604 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

South Rount School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

<b>Year ended June 30, 2019:</b>	
2020	\$ (430)
2021	(430)
2022	(430)
2023	1,371
2024	(722)
Thereafter	(31)

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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.

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

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, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

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

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

South Rount School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- 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 long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$438,507	\$450,959	\$465,282

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2019

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, 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.
- 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 middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$504,584	\$450,959	\$405,115

*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](http://www.copera.org/investments/pera-financial-reports).

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2019

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**NOTE J - DEFINED CONTRIBUTION PENSION PLAN**

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

*Funding Policy.* The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar year 2017 and \$18,500 for 2018, and \$19,000 for the 2019). In addition, catch-up contributions, up to \$6,000 for the calendar year 2017, \$6,000 for 2018, and \$6,000 for 2019 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC section 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the years ended June 30, 2017, 2018, and 2019.

**NOTE K - RISK MANAGEMENT**

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

**NOTE L - RELATED PARTIES**

During 2019 there was a board member that worked as a substitute bus driver.

**NOTE M - FUND BALANCE DEFICITS**

The Food Service fund ended the June 30, 2019 year with a deficit in fund balance of \$63,842.

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South Rount School District RE-3

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2019

	Employer proportion of NPL	Employer proportionate share of NPL	Nonemployer contributing entity proportionate share of NPL associated with employer	Total of employer and nonemployer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>							
December 31, 2014	0.064990%	\$ 8,808,268	\$ -	\$ 8,808,268	\$ 2,705,094	326%	63%
December 31, 2015	0.061017%	9,332,061	-	9,332,061	2,658,341	351%	59%
December 31, 2016	0.059546%	17,729,293	-	17,729,293	2,670,527	664%	43%
December 31, 2017	0.059322%	19,182,556	-	19,182,556	2,686,182	714%	44%
December 31, 2018	0.050994%	9,029,534	1,086,148	10,115,682	2,797,122	323%	57%

South Routt School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 435,873	\$ 435,873	\$ -	\$ 2,580,911	16.89%
June 30, 2016	474,283	474,283	-	2,675,315	17.73%
June 30, 2017	491,718	491,718	-	2,675,329	18.38%
June 30, 2018	522,932	522,932	-	2,741,172	19.08%
June 30, 2019	561,615	561,615	-	2,935,731	19.13%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

For the measurement period ended December 31, 2018, the discount rate changed from 4.78% to 7.25%. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

South Routt School District RE-3

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2019

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Employer covered payroll	employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
<b>Measurement date:</b>					
December 31, 2017	0.03371%	\$ 438,048	\$ 2,686,182	16%	17.53%
December 31, 2018	0.03315%	450,959	2,797,122	16%	17.03%

South Rount School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2019

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2018	\$ 27,960	\$ 27,960	\$ -	\$ 2,741,172	1.02%
June 30, 2019	29,944	29,944	-	2,935,731	1.02%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

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

South Rount School District RE-3  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2019

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		Food Service Fund
<b>ASSETS</b>		
Cash and cash equivalents	\$	19,914
Inventory		6,121
Total assets	\$	<u>26,035</u>
 <b>LIABILITIES AND FUND BALANCES</b>		
Liabilities		
Accrued compensation	\$	18,498
Due to other funds		68,945
Unearned revenues		2,434
Total liabilities		<u>89,877</u>
Fund balances		
Nonspendable		6,121
Assigned to		
Food service		(69,963)
Total fund balances		<u>(63,842)</u>
Total liabilities and fund balances	\$	<u>26,035</u>

South Rount School District RE-3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2019

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	Food Service Fund
<b>REVENUES:</b>	
Federal sources	\$ 61,677
State sources	2,332
Local and intermediate sources	74,282
Total revenues	138,291
 <b>EXPENDITURES</b>	
Current:	
Food services	212,847
Capital outlay	1,302
Total expenditures	214,149
Net change in fund balances	(75,858)
 Fund balance, beginning of year	12,016
Fund balance, end of year	\$ (63,842)

South Rount School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOOD SERVICE FUND  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ 71,000	\$ 71,000	\$ 61,677	\$ (9,323)
State sources	2,500	2,500	2,332	(168)
Local and intermediate sources	77,000	77,000	74,282	(2,718)
Total revenues	<u>150,500</u>	<u>150,500</u>	<u>138,291</u>	<u>(12,209)</u>
<b>EXPENDITURES</b>				
Current				
Supporting services				
Food service	211,868	211,884	214,149	(2,265)
Contingency	632	632	-	632
Total expenditures	<u>212,500</u>	<u>212,516</u>	<u>214,149</u>	<u>(1,633)</u>
Excess of revenues over (under) expenditures	(62,000)	(62,016)	(75,858)	(13,842)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	50,000	-	(50,000)
Net change in fund balances	(12,000)	(12,016)	(75,858)	(63,842)
Fund balance, beginning of year	632	12,016	12,016	-
Fund balance, end of year	<u>\$ (11,368)</u>	<u>\$ -</u>	<u>\$ (63,842)</u>	<u>\$ (63,842)</u>

South Routt School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
CAPITAL RESERVE FUND  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Earnings on investments	\$ -	\$ 5,000	\$ 10,720	\$ 5,720
State Sources	388,290	383,290	337,151	(46,139)
Total revenues	<u>388,290</u>	<u>388,290</u>	<u>347,871</u>	<u>(40,419)</u>
<b>EXPENDITURES</b>				
Capital outlay	677,555	673,148	692,916	(19,768)
Contingency	409,125	409,125	-	409,125
Total expenditures	<u>1,086,680</u>	<u>1,082,273</u>	<u>692,916</u>	<u>389,357</u>
Excess of revenues over (under) expenditures	(698,390)	(693,983)	(345,045)	348,938
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from sale of asset	-	-	4,113	4,113
Transfers in	180,000	284,860	-	(284,860)
Total other financing sources	<u>180,000</u>	<u>284,860</u>	<u>4,113</u>	<u>(280,747)</u>
Net change in fund balances	(518,390)	(409,123)	(340,932)	68,191
Fund balance, beginning of year	409,125	409,123	409,123	-
Fund balance, end of year	<u>\$ (109,265)</u>	<u>\$ -</u>	<u>\$ 68,191</u>	<u>\$ 68,191</u>

South Routt School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
DEBT SERVICE FUND  
For the Year Ended June 30, 2019

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 844,500	\$ 818,025	\$ 809,598	\$ (8,427)
Earning on investments	4,000	7,000	30,107	23,107
Total revenues	<u>848,500</u>	<u>825,025</u>	<u>839,705</u>	<u>14,680</u>
<b>EXPENDITURES</b>				
Debt service				
Principal	512,217	755,000	755,000	-
Interest	53,075	53,075	53,075	-
Contingency	1,421,515	1,421,515	-	1,421,515
Total expenditures	<u>1,986,807</u>	<u>2,229,590</u>	<u>808,075</u>	<u>1,421,515</u>
Excess of revenues over (under) expenditures	(1,138,307)	(1,404,565)	31,630	1,436,195
Fund balance, beginning of year	1,416,515	1,404,565	1,404,565	-
Fund balance, end of year	<u>\$ 278,208</u>	<u>\$ -</u>	<u>\$ 1,436,195</u>	<u>\$ 1,436,195</u>

South Routt School District RE-3  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2019

	Student Activity Agency Funds	Endowment Promotion Fund	Total
<b>Additions</b>			
Fundraising events	\$ 201,164	\$ -	\$ 201,164
Total additions	201,164	-	201,164
<b>Deductions</b>			
Promotion Fund expenditures	-	778	778
Athletic/Activity expenditures	219,275	-	219,275
Total deductions	219,275	778	220,053
Excess of revenues over (under) expenditures	(18,111)	(778)	(18,889)
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfer in	26,000	-	26,000
Change in activity funds	7,889	(778)	7,111
Due to student groups, beginning of year	55,096	778	55,874
Due to student groups, end of year	\$ 62,985	\$ -	\$ 62,985
Appropriations	\$ 355,096	\$ 10,778	
Expenditures	219,275	778	
Variance positive (negative)	135,821	10,000	



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2780 - South Routt RE 3  
 Fiscal Year 2018-19  
 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
<b>Governmental</b>	<b>+</b>	<b>-</b>	<b>=</b>	
10 General Fund	1,669,151	6,275,943	5,771,971	2,173,123
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,669,151	6,275,943	5,771,971	2,173,123
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	12,016	138,290	214,149	-63,841
22 Govt Designated Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,400,565	919,707	808,075	1,416,196
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	409,122	151,985	692,916	68,191
46 Supplemental Cap Const Tech Main Fund	0	0	0	0
<b>Totals</b>	<b>3,494,854</b>	<b>7,605,925</b>	<b>7,487,111</b>	<b>3,613,668</b>
<b>Proprietary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	778	0	778	0
74 Pupil Activity Agency Fund	55,096	227,163	219,275	62,985
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>55,875</b>	<b>227,163</b>	<b>220,053</b>	<b>62,985</b>

FINAL