

***Arickaree School District R-2***  
**Anton, Colorado**

**Financial Statements**

**For the Year ended June 30, 2018**

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## **Independent Auditors' Report**

Board of Education  
Arickaree School District R-2  
Anton, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arickaree School District R-2 (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Change in Accounting Principle**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 3, 2018



## Management Discussion and Analysis

This discussion and analysis of Arickaree School District R-2's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the notes to the basic financial statements and the financial statements to enhance their understanding of the District's performance.

### Financial Highlights

- The liabilities and deferred inflows of resources of the District exceed its assets and deferred outflows of resources at the close of June 30, 2018 by \$1,418,883 (net position deficit) as reported in the government-wide financial statements.
- The District's government-wide total net position decreased by \$672,427 over the prior fiscal year.
- Program revenues of \$338,414 offset expenses from governmental activities of \$2,986,889. General revenues amounted to \$1,976,048.
- At the close of June 30, 2018, the District reported \$1,980,267 combined fund balances for the Governmental Funds, an increase of \$222,453.

### Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

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

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

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

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, administration and food service. Taxes and intergovernmental revenues principally support these activities.

The government-wide financial statements can be found on pages 10-13 of this report.

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

*Governmental funds.* Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the District's near-term financing requirements. The annual budget is provided on the basis of the governmental fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Arickaree School District R-2 maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Capital Reserve Capital Projects Fund which are considered to be major funds. Data for the other two governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Arickaree School District R-2 adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund, Food Service Fund, Student Activity Fund, Capital Reserve Capital Projects Fund and Scholarship Trust Fund to demonstrate compliance with this budget.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Arickaree School District R-2's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 18-19 of this report.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 20-56 of this report.

*Other information.* In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 70-84.



## Government-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and other assets are current assets. These assets are available to provide resources for the near-term operations of the District. A good portion of the current assets result from the property tax collection process; the District receives about 97% of the annual property tax assessment between January and June.

Capital Assets are used in the operations of the District. These assets are land, improvements, 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 and unearned revenues. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during the ensuing fiscal year.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's liabilities exceeded assets by \$1,418,883 at the close of the most recent fiscal year.

The following table provides a summary of the district's net position as of June 30, 2018.

	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Current and Other assets	\$ 2,132,984	\$ 1,915,266	11.37%
Capital assets	1,379,041	1,262,613	9.22%
<b>Total assets</b>	<b>3,512,025</b>	<b>3,177,879</b>	<b>10.51%</b>
Deferred outflows of resources	1,860,743	2,200,069	-15.42%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 5,372,768</b>	<b>\$ 5,377,948</b>	<b>-0.10%</b>
Long term liabilities	\$ 6,099,826	\$ 5,895,343	3.47%
Other liabilities	134,952	142,949	-5.59%
<b>Total liabilities</b>	<b>6,234,778</b>	<b>6,038,292</b>	<b>3.25%</b>
Deferred inflows of resources	556,873	111,393	399.92%
Net investment in capital assets	1,310,324	1,162,701	12.70%
Restricted	65,074	65,582	-0.77%
Unrestricted	(2,794,281)	(2,000,020)	39.71%
<b>Total net position</b>	<b>(1,418,883)</b>	<b>(771,737)</b>	<b>83.86%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 5,372,768</b>	<b>\$ 5,377,948</b>	<b>-0.10%</b>

The District's reported assets consist of current assets of \$2,132,984 and capital assets of \$1,379,041. The ratio of Current Assets to Current Liabilities of 15.81 to 1 indicates the District's ability to meet current obligations.

The following table is a summary of the District's change in net position.

	<b>Governmental Activities</b>		<b>Total</b>
	2018	2017	<b>Percentage Change</b> 2017-2018
<b>Revenues</b>			
Charges for services	\$ 67,561	\$ 68,745	-1.72%
Operating grants & contributions	188,853	130,229	45.02%
Capital grants & contributions	82,000	-	n/a
Property taxes	830,980	738,595	12.51%
State equalization	948,271	979,357	-3.17%
Other	196,797	157,355	25.07%
<b>Total Revenue</b>	<b>2,314,462</b>	<b>2,074,281</b>	<b>11.58%</b>
<b>Expenses</b>			
Instruction	1,642,535	1,657,475	-0.90%
Supporting Services	1,302,432	1,255,637	3.73%
Other	41,922	36,155	15.95%
<b>Total Expenses</b>	<b>2,986,889</b>	<b>2,949,267</b>	<b>1.28%</b>
Change in net position	(672,427)	(874,986)	-23.15%
Net position at beginning of year	(746,456)	128,530	-680.76%
Net position at end of year	<u>\$(1,418,883)</u>	<u>\$ (746,456)</u>	<u>-0.10%</u>

Governmental activities decreased the District's net position in FY 2017 by \$874,986 and in FY 2018 by \$672,427.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the District's governmental funds reported a combined ending fund balance of \$1,980,267, an increase of \$222,453.

- Revenues exceeded expenditures and transfers out in the General Fund by \$135,997, increasing fund balance to \$1,801,403.

**General Fund Budgetary Highlights**

The District is required to adopt a budget by June 30 for the following fiscal year. The Board of Education will submit a copy of the budget to CDE by January 31.

**Capital Asset and Debit Administration**

*Capital assets.* The District’s investment in capital assets as of June 30, 2018 amounts to \$1,379,041 (net of accumulated depreciation). This investment in capital assets included land, buildings, service vehicles, buses and playground, office and instructional equipment.

**Comparative Schedule of Capital Assets**

	Governmental Activities	
	2018	2017
Land and sites	\$ 29,645	\$ 29,645
Building and improvements	2,042,130	2,027,435
Transportation equipment	649,641	591,772
Other equipment	225,067	109,999
Subtotal	2,946,483	2,758,851
Less accumulated depreciation	(1,567,442)	(1,496,238)
Total capital assets	\$ 1,379,041	\$ 1,262,613

Additional information on the School District’s capital assets can be found in Note E to the basic financial statements.

**Long-Term Debt**

At year-end, the School District’s long-term debt of \$6,099,826 represented its accrued compensated absences of \$28,427; capital lease obligations in the amount of \$68,717, net pension liability of \$5,868,667 and net OPEB liability of \$134,015. Additional information on the District’s long-term debt can be found in Note G to the basic financial statements.

**Economic Factors and Next Year’s Budget**

- Facility: School Safety infrastructure, Building roof, Food Service equipment replaced, Parking lot, Gym Floor replaced.
- Bus replacements are necessary.
- CDE Student Testing computers, require ongoing purchases.
- Technology improvements to increase access and learning are ongoing.
- Additional staff to meet the educational needs of students: un-combining elementary classes, Offer academic readiness and career courses for high school students.
- State Budget stabilization factor – a portion of state funding is withheld from district.
- PERA – annual increases.
- Insurance: health & school coverage has increased substantially.

**Requests for Information**

This financial report is designed to provide a general overview of Arickaree School District R-2’s finances for all those with an interest in the District’s Finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 12155 County Road NN, Anton, Colorado 80801-9601.

## **Basic Financial Statements**

The basic financial statements of the District include the following:

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities
Assets	
Cash	\$ 1,235,297
Cash with fiscal agent	77,042
Investments	775,666
Receivables	41,837
Due from fiduciary fund	1,480
Inventory	1,662
Capital assets, net of depreciation	<u>1,379,041</u>
Total assets	3,512,025
Deferred outflows of resources	
Pension and other post-employment benefit deferrals	<u>1,860,743</u>
Total deferred outflows of resources	<u>1,860,743</u>
Total assets and deferred outflows of resources	<u><u>\$ 5,372,768</u></u>
Liabilities	
Accounts payable	\$ 24,783
Accrued salaries and benefits	110,169
Noncurrent liabilities	
Due within one year	34,950
Due in more than one year	<u>6,064,876</u>
Total liabilities	6,234,778
Deferred inflows of resources	
Pension and other post-employment benefit deferrals	<u>556,873</u>
Total deferred inflows of resources	556,873
Net position	
Net investment in capital assets	1,310,324
Restricted for:	
Emergencies	60,000
Colorado preschool program	921
Food service operations	4,153
Unrestricted (deficit)	<u>(2,794,281)</u>
Total net position (deficit)	<u>(1,418,883)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 5,372,768</u></u>

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



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**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Activities**  
**For the Year Ended June 30, 2018**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,642,535	\$ 31,510	\$ 115,041	\$ 27,000
Supporting services				
Students	73,265			
Instructional staff	25,501		3,500	
General administration	346,388			
School administration	123,955			
Business services	73,265			
Operations and maintenance	258,797			\$ 55,000
Student transportation	205,270		30,618	
Central support services	56,495			
Food service operations	139,496	36,051	39,694	
Unallocated depreciation *	39,098			
Interest and fiscal charges	2,824			
Total governmental activities	<u>\$ 2,986,889</u>	<u>\$ 67,561</u>	<u>\$ 188,853</u>	<u>\$ 82,000</u>

General revenues

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

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

Net position (deficit) at end of year

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

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

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Net (Expenses)  
Revenues and  
Changes in  
Net Position

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Total  
Governmental  
Activities

\$ (1,468,984)

(73,265)  
(22,001)  
(346,388)  
(123,955)  
(73,265)  
(203,797)  
(174,652)  
(56,495)  
(63,751)  
(39,098)  
(2,824)

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(2,648,475)

740,265  
89,495  
1,220  
948,271  
11,858  
184,939

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1,976,048

(672,427)

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(746,456)

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\$ (1,418,883)

**ARICKAREE SCHOOL DISTRICT R-2**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2018**

	General Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 1,051,983	\$ 74,124	\$ 109,190	\$ 1,235,297
Cash with fiscal agent	77,042			77,042
Certificates of deposit	63,712			63,712
Investments	711,954			711,954
Property taxes receivable	25,651			25,651
Due from other funds	2,075			2,075
Grant receivables	864			864
Other receivables	14,909		413	15,322
Inventories			1,662	1,662
<b>Total assets</b>	<b>\$ 1,948,190</b>	<b>\$ 74,124</b>	<b>\$ 111,265</b>	<b>\$ 2,133,579</b>
<b>Liabilities</b>				
Accounts payable	\$ 24,771		\$ 12	\$ 24,783
Due to other funds			595	595
Accrued salaries and benefits	104,251		5,918	110,169
Payroll deductions & withholdings	2,114			2,114
<b>Total liabilities</b>	<b>131,136</b>	<b>\$ -</b>	<b>6,525</b>	<b>137,661</b>
<b>Deferred inflows of resources</b>				
Deferred property tax revenues	15,651			15,651
<b>Total deferred inflows of resources</b>	<b>15,651</b>	<b>-</b>	<b>-</b>	<b>15,651</b>
<b>Fund balance</b>				
Nonspendable inventories			1,662	1,662
Restricted for:				
Emergencies	60,000			60,000
Colorado preschool program	921			921
Food service operations			4,153	4,153
Committed to:				
Capital projects		74,124		74,124
Pupil activities			98,925	98,925
Assigned to risk-related activities	13,585			13,585
Unassigned	1,726,897			1,726,897
<b>Total fund balance</b>	<b>1,801,403</b>	<b>74,124</b>	<b>104,740</b>	<b>1,980,267</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 1,948,190</b>	<b>\$ 74,124</b>	<b>\$ 111,265</b>	<b>\$ 2,133,579</b>

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

**ARICKAREE SCHOOL DISTRICT R-2**

**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position  
June 30, 2018**

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

Total fund balance - governmental funds	\$ 1,980,267
Capital assets, net of accumulated depreciation used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.	1,379,041
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the governmental funds.	15,651
Long-term liabilities and related deferred inflows and outflows of resources, including compensated absences, capital lease obligations and net pension and OPEB liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.	<u>(4,793,842)</u>
Net position of the governmental activities	<u>\$ (1,418,883)</u>

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	General Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 985,083	\$ 55,506	\$ 135,508	\$ 1,176,097
Intermediate sources	93			93
State sources	1,056,093		786	1,056,879
Federal sources	41,337		38,908	80,245
Total revenues	2,082,606	55,506	175,202	2,313,314
Expenditures				
Instruction	872,417		86,219	958,636
Supporting services	760,427	236,128	101,651	1,098,206
Debt service				
Principal retirement		31,195		31,195
Interest and fiscal charges		2,824		2,824
Total expenditures	1,632,844	270,147	187,870	2,090,861
Excess of revenues over (under) expenditures	449,762	(214,641)	(12,668)	222,453
Other financing sources (uses)				
Transfers in		288,765	25,000	313,765
Transfers out	(313,765)			(313,765)
Total other financing sources (uses)	(313,765)	288,765	25,000	-
Net change in fund balance	135,997	74,124	12,332	222,453
Fund balance at beginning of year	1,665,406	-	92,408	1,757,814
Fund balance at end of year	\$ 1,801,403	\$ 74,124	\$ 104,740	\$ 1,980,267

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2018**

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

Net change in fund balances - governmental funds	\$ 222,453
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	116,428
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	1,148
Repayment of principal on capital lease obligations are expenditures in the governmental funds, but the repayment reduces the long-term liability in the statement of net position.	31,195
In the statement of activities, certain operating expenses related to compensated absences - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(6,241)
Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.	<u>(1,037,410)</u>
Change in net position of governmental activities	<u>\$ (672,427)</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2018**

	Private Purpose Trust Fund
Assets	
Cash	\$ 224
Investments	5,000
Other receivables	1,350
Total assets	<u>\$ 6,574</u>
Liabilities	
Due to other funds	\$ 1,480
Total liabilities	1,480
Net position	
Held in trust for scholarships	5,094
Total liabilities and net position	<u>\$ 6,574</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2018**

	Private Purpose Trust Fund
Additions	
Contributions and earnings	\$ 310
Total additions	310
Deductions	
Scholarship awards	350
Total deductions	350
Change in net position	(40)
Net position at beginning of year	5,134
Net position at end of year	<u>\$ 5,094</u>

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

## **ARICKAREE SCHOOL DISTRICT R-2**

### **Notes to Financial Statements**

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#### **Note A – Summary of significant accounting policies**

This summary of the Arickaree School District R-2's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

#### **A.1 – Reporting entity**

The Arickaree School District R-2 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

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

#### **A.2 – Fund accounting**

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

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

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

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

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

The following are the District's nonmajor governmental funds:

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

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

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

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

**Note A.3 – Basis of presentation**

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.

Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.4 – Basis of accounting**

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

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

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

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

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

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

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

**A.5 – Encumbrances**

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

**A.6 – Short-term interfund receivables/payables**

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

**A.7 – Inventories**

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note A – Summary of significant accounting policies (Continued)**

**A.8 – Capital assets**

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

All capital assets with a unit cost greater than \$3,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

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

Description	Governmental Activities
Buildings and improvements	10-40 years
Other equipment	10 years
Licensed vehicles	7-10 years

**A.9 – Compensated absences**

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

Certain personnel and full-time employees receive up to ten days of sick leave each year, which can be accumulated up to thirty days maximum. Upon leaving employment with the District, these staff shall be paid for the accumulated days at a rate of \$110 per day for certified staff, \$20 per day for classified staff and at their daily rate as specified in employment contracts.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The entire compensated absence liability is reported on the governmentwide financial statements.

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

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

**A.10 – Accrued liabilities and long-term obligations**

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

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

**A.11 – Fund balance**

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

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

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

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

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

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

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

**A.12 – Net position**

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.13 – Interfund transactions**

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

**A.14 – Extraordinary and special items**

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

**Note B – Cash and investments**

**Cash and deposits**

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,351,894, of which \$255,000 was insured and \$1,096,894 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note B – Cash and investments (Continued)**

**Investments**

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

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

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. Investments are valued at the net asset value (NAV) of \$1.00. As of June 30, 2018, the District had invested \$74,271 in COLOTRUST PRIME and \$637,683 invested in COLOTRUST PLUS+. The District also invested in certificate of deposits.

	Investment maturities (in years)			
Investment type	Fair value	Less than 1	1-5	6-10
Investment in Colotrust	\$ 711,954	\$ 711,954	\$ -	\$ -

The investment in Colotrust is maintained in the General Fund and the investment in certificates of deposit is maintained in the General Fund and Scholarship Trust Fund.

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note B – Cash and investments (Continued)**

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

Cash in bank	\$ 1,240,521
Certificates of deposit	63,712
Investments in Colotrust	711,954
<b>Total</b>	<b><u>\$ 2,016,187</u></b>
Statement of net position	
Cash	\$ 1,235,297
Investments	<u>775,666</u>
<b>Subtotal</b>	<b>2,010,963</b>
Statement of fiduciary net position	
Cash	224
Investments	<u>5,000</u>
<b>Subtotal</b>	<b><u>5,224</u></b>
<b>Total</b>	<b><u>\$ 2,016,187</u></b>

**Note C – Receivables**

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 25,651
Grants receivable	864
Other receivables	<u>15,322</u>
<b>Total</b>	<b><u>\$ 41,837</u></b>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note D – Interfund transactions**

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 2,075	\$ -
Other governmental funds	-	595
Subtotal	2,075	595
<u>Fiduciary funds</u>		
Private-purpose trust fund	-	1,480
Total	<u>\$ 2,075</u>	<u>\$ 2,075</u>

All balances resulted from the lag time between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are eliminated through the transfer of funds from one fund to another.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 313,765
Capital reserve capital projects fund	288,765	
Other governmental funds	25,000	-
Total	<u>\$ 313,765</u>	<u>\$ 313,765</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$25,000 from the General Fund to the Other Governmental Funds to subsidize the costs of maintaining the District's food service operations. The district also transferred funds in the amount of \$288,765 from the General Fund to the Capital Reserve Capital Projects Fund in order to set aside funds for capital acquisitions.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note E – Capital assets**

Capital asset activity for the year was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 29,645	\$ -	\$ -	\$ 29,645
Total capital assets, not being depreciated	29,645	-	-	29,645
Capital assets, being depreciated:				
Buildings and improvements	2,027,435	14,695	-	2,042,130
Other equipment	109,999	115,068	-	225,067
Licensed vehicles	591,772	112,119	(54,250)	649,641
Total capital assets, being depreciated	<u>2,729,206</u>	<u>241,882</u>	<u>(54,250)</u>	<u>2,916,838</u>
Total capital assets	2,758,851	241,882	(54,250)	2,946,483
Less accumulated depreciation for:				
Buildings and improvements	(1,068,242)	(35,367)	-	(1,103,609)
Other equipment	(70,806)	(11,387)	-	(82,193)
Licensed vehicles	<u>(357,190)</u>	<u>(45,698)</u>	21,248	<u>(381,640)</u>
Total accumulated depreciation	<u>(1,496,238)</u>	<u>(92,452)</u>	21,248	<u>(1,567,442)</u>
Governmental activities capital assets, net	<u>\$ 1,262,613</u>	<u>\$ 149,430</u>	<u>\$ (33,002)</u>	<u>\$ 1,379,041</u>

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

Governmental activities	
Operations and maintenance	\$ 6,042
Student transportation	45,698
Food service operations	1,614
Unallocated	39,098
Total depreciation expense	<u>\$ 92,452</u>



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note F – Accrued salaries and benefits**

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$110,169. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

**Note G – Long-term debt**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 20,072	\$ 8,355	\$ -	\$ 28,427	\$ -
Capital lease obligation	99,912	-	(31,195)	68,717	34,950
Net pension liability	5,611,189	257,478	-	5,868,667	-
Net OPEB liability	<u>138,889</u>	<u>-</u>	<u>(4,874)</u>	<u>134,015</u>	<u>-</u>
<b>Total</b>	<u>\$ 5,870,062</u>	<u>\$ 265,833</u>	<u>\$ (36,069)</u>	<u>\$ 6,099,826</u>	<u>\$ 34,950</u>

The capital lease obligations attributable to the governmental activities will be liquidated primarily by the Capital Reserve Capital Projects Fund, while the compensated absences and net pension and OEPB liabilities attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

**Capital lease obligations**

Transportation vehicle lease obligation – In July 2015, the District entered into an agreement with De Lage Landen Public Finance LLC to purchase a 2015 Blue Bird 14 passenger bus. The agreement called for a lease term of three years with annual renewal options. Annual payments of \$13,593 are due on July 10th of each year, with a final payment due in fiscal year 2018. The average interest rate over the lease term is 2.79%. The District has capitalized \$54,829 of assets under this capital lease.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note G – Long-term debt (Continued)**

Transportation vehicle lease obligation – In September 2015, the District entered into an agreement with Farmers State Bank of Brush to purchase a 2016 Ford Expedition. The agreement called for a lease term of five years with annual renewal options. Monthly payments of \$640 are due on 1st of each month, with a final payment due in fiscal year 2021. The average interest rate over the lease term is 2.56%. The District has capitalized \$36,000 of assets under this capital lease.

Transportation vehicle lease obligation- In September 2016, the District entered into an agreement with De Lage Landen Public Finance LLC to purchase a 2016 Blue Bird Micro Bus. The agreement called for a lease term of five years with annual renewal options. Annual payments of \$12,741 are due on September 2<sup>nd</sup> of each year, with a final payment due in fiscal year 2021. The average interest rate over the lease term is 3.16%. The District has capitalized \$59,919 of assets under this capital lease.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

Year ended June 30,	Debt service requirement__
2019	\$ 36,876
2020	20,426
2021	14,662
Total minimum lease payments	71,964
Less amount representing interest	3,247
Present value of future net minimum lease payments	<u>\$ 68,717</u>

**Note H – Defined benefit pension plan**

Summary of significant accounting policies

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

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

General information about the pension plan

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

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

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

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$161,544 for the year ended.

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

At year-end, the District reported a liability of \$5,868,667 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0181 percent, which was a decrease of 0.0007 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,198,068. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 109,557	\$ -
Changes of assumptions or other inputs	1,538,578	10,188
Net difference between projected and actual earnings on pension plan investments	124,726	346,811
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	193,294
Contributions subsequent to the measurement date	<u>82,832</u>	-
Total	<u>\$ 1,855,693</u>	<u>\$ 550,293</u>

\$82,832 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30, ___	<u>Amount</u>
2019	\$ 861,451
2020	467,895
2021	(20,075)
2022	<u>(86,703)</u>
Totals	<u>\$ 1,222,568</u>

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

Post-retirement benefit increases:

PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimate future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

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

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 7,413,124	\$ 5,868,667	\$ 4,610,110

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

Payables to the pension plan

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

At year end, the District reported a liability of \$5,868,667 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$2,651,413

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$2,739,530 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**Note I – Defined contribution pension plan**

Voluntary Investment Program

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

*Funding policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$3,950 for the Voluntary Investment Program.

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

Summary of significant accounting policies

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

General information about the OPEB plan

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF – a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](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 member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

*DPS Benefit Structure*

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$8,726 for the year ended.

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

At year-end, the District reported a liability of \$134,015 for its proportionate share of the net OPEB liability. The net pension OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.0103 percent, which was a decrease of 0.0004 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$9,611. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 633	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,243
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	4,337
Contributions subsequent to the measurement date	4,417	-
Total	<u>\$ 5,050</u>	<u>\$ 6,580</u>

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

\$4,417 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30, ___	Amount
2019	\$ (1,288)
2020	(1,288)
2021	(1,288)
2022	(1,288)
2023	(728)
2024	<u>(67)</u>
Totals	<u>\$ (5,947)</u>

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

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

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

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

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

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

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

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

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

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

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

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

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note J – Defined benefit other post-employment benefit (OPEB) 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%
Total	<u>100.00%</u>	

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

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

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 130,328	\$ 134,015	\$ 138,457

*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:

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 150,675	\$ 134,015	\$ 119,796

*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).

Payables to the OPEB plan

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

**Note K – Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$36,733. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

**Note L – Commitments and contingencies**

Federal and state funding

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note L – Commitments and contingencies (Continued)**

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$60,000 for the emergency reserve.

**Note M – Joint venture**

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

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note M – Joint venture (Continued)**

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

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

For the year, the District's contribution was \$69,648.

**Note N – Prior period restatement**

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the District to recognize a liability for its proportionate share of the net OPEB liability of PERA's Health Care Trust Fund (see Note J), as well as OPEB expense, and to report deferred outflows of resources and deferred inflows of resources related to OPEB for its proportionate shares of collective OPEB expense and collective deferred outflows of resources and deferred inflows of resources related to OPEB. The District has reduced the beginning net position of its governmental activities by \$134,659 due to the adoption of this statement.

### **Required Supplementary Information**

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

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability – PERA's School Division Trust Fund
- Schedule of District Contributions – PERA's School Division Trust Fund
- Schedule of the District's Proportionate Share of the Net OPEB Liability – PERA's Health Care Trust Fund
- Schedule of District Contributions – PERA's Health Care Trust Fund

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 862,857	\$ 884,141	\$ 985,083	\$ 100,942
Intermediate sources	100	75	93	18
State sources	931,670	1,010,773	1,056,093	45,320
Federal sources	30,879	34,923	41,337	6,414
Total revenues	1,825,506	1,929,912	2,082,606	152,694
Expenditures				
Instruction	968,215	962,753	872,417	90,336
Supporting services	851,975	873,660	760,427	113,233
Appropriated reserves	1,351,775	1,431,591		1,431,591
Total expenditures	3,171,965	3,268,004	1,632,844	1,635,160
Excess of revenues over (under) expenditures	(1,346,459)	(1,338,092)	449,762	1,787,854
Other financing sources (uses)				
Transfers out	(125,000)	(275,000)	(313,765)	(38,765)
Net change in fund balance	\$ (1,471,459)	\$ (1,613,092)	135,997	\$ 1,749,089
Fund balance at beginning of year			1,665,406	
Fund balance at end of year			\$ 1,801,403	

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**ARICKAREE SCHOOL DISTRICT R-2**  
**Schedule of the District's Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**PERA's School Division Trust Fund**  
**June 30, 2018**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.0181%	0.0188%	0.0194%	0.0198%
District's proportionate share of the net pension liability	\$ 5,868,667	\$ 5,611,189	\$ 2,973,639	\$ 2,681,194
District's covered-employee payroll	\$ 837,181	\$ 845,843	\$ 847,313	\$ 828,744
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	701.00%	663.38%	350.95%	323.52%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.10%	59.20%	62.84%

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

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



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June 30,  
2014

0.0186%

\$ 2,370,581

\$ 749,242

316.40%

64.06%

**ARICKAREE SCHOOL DISTRICT R-2**  
**Schedule of District Contributions <sup>1</sup>**  
**PERA's School Division Trust Fund**  
**June 30, 2018**

	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 161,544	\$ 151,456	\$ 152,067	\$ 144,974
Contributions in relation to the contractually required contribution	(161,544)	(151,456)	(152,067)	(144,974)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 855,494	\$ 823,952	\$ 857,418	\$ 859,007
Contributions as a percentage of covered-employee payroll	18.88%	18.38%	17.74%	16.88%

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

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June 30,  
2014

\$ 125,642

(125,642)

\$ -

\$ 786,060

15.98%

**ARICKAREE SCHOOL DISTRICT R-2**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability <sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**June 30, 2018**

	June 30, 2018	June 30, 2017
District's proportion of the net OPEB liability	0.0103%	0.0107%
District's proportionate share of the net OPEB liability	\$ 134,015	\$ 138,889
District's covered-employee payroll	\$ 837,181	\$ 845,843
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Schedule of District Contributions <sup>1</sup>**  
**PERA's Health Care Trust Fund**  
**June 30, 2018**

	June 30, 2018	June 30, 2017
Contractually required contribution	\$ 8,726	\$ 8,404
Contributions in relation to the contractually required contribution	(8,726)	(8,404)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 855,494	\$ 823,952
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

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



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to the Required Supplementary Information**

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**Note A – Budgetary data**

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

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

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

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

### **Other Supplementary Information**

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

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### **Budgetary Comparison Schedules - General Fund**

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Revenues**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Local sources</b>				
Property taxes	\$ 738,392	\$ 732,489	\$ 739,117	\$ 6,628
Specific ownership taxes	55,000	65,064	89,495	24,431
Delinquent taxes and interest	700	700	1,220	520
Earnings on investments	3,765	6,248	11,858	5,610
Pupil activities		563	316	(247)
Other local revenue	65,000	79,077	143,077	64,000
<b>Total local sources</b>	<b>862,857</b>	<b>884,141</b>	<b>985,083</b>	<b>100,942</b>
<b>Intermediate sources</b>	<b>100</b>	<b>75</b>	<b>93</b>	<b>18</b>
<b>State sources</b>				
Equalization	884,895	917,492	948,271	30,779
Vocational education	1,000	2,500	7,397	4,897
Transportation	25,000	29,108	30,618	1,510
ELPA professional development	6,000	8,881	9,973	1,092
English language proficiency	200	380	7,192	6,812
READ Act	800	847	1,628	781
State grants to libraries	3,000	3,500	3,500	-
Small rural schools funding		36,792	36,792	-
Additional at-risk funding			720	720
Services within the BOCES	10,775	11,273	10,002	(1,271)
<b>Total state sources</b>	<b>931,670</b>	<b>1,010,773</b>	<b>1,056,093</b>	<b>45,320</b>
<b>Federal sources</b>				
REAP	16,717	18,561	18,561	-
Race to the top		1,816	30	(1,786)
Services within the BOCES	14,162	14,546	22,746	8,200
<b>Total federal sources</b>	<b>30,879</b>	<b>34,923</b>	<b>41,337</b>	<b>6,414</b>
<b>Total revenues</b>	<b>\$ 1,825,506</b>	<b>\$ 1,929,912</b>	<b>\$ 2,082,606</b>	<b>\$ 152,694</b>



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**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures</b>				
<b>Instruction</b>				
Salaries	\$ 575,555	\$ 609,762	\$ 539,477	\$ 70,285
Employee benefits	253,725	222,391	211,491	10,900
Purchased services	53,200	56,100	37,966	18,134
Supplies and materials	80,435	70,200	60,590	9,610
Property			18,961	(18,961)
Other	5,300	4,300	3,932	368
<b>Total instruction</b>	<b>968,215</b>	<b>962,753</b>	<b>872,417</b>	<b>90,336</b>
<b>Supporting services</b>				
<b>Students</b>				
Salaries	23,800	23,500	23,400	100
Employee benefits	11,500	10,000	9,123	877
Purchased services	13,800	13,800	11,971	1,829
Supplies and materials	600	600	306	294
<b>Total students</b>	<b>49,700</b>	<b>47,900</b>	<b>44,800</b>	<b>3,100</b>
<b>Instructional staff</b>				
Salaries	8,000	7,800	7,800	-
Employee benefits	4,000	4,000	3,595	405
Purchased services	500	500	743	(243)
Supplies and materials	5,700	5,500	3,875	1,625
<b>Total instructional staff</b>	<b>18,200</b>	<b>17,800</b>	<b>16,013</b>	<b>1,787</b>
<b>General administration</b>				
Salaries	87,500	87,500	88,755	(1,255)
Employee benefits	30,000	31,000	24,193	6,807
Purchased services	149,450	149,450	109,885	39,565
Supplies and materials	6,500	6,000	2,853	3,147
Other	15,000	17,000	12,736	4,264
<b>Total general administration</b>	<b>288,450</b>	<b>290,950</b>	<b>238,422</b>	<b>52,528</b>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	45,200	45,200	44,761	439
Employee benefits	27,000	25,000	23,332	1,668
Purchased services	400	300	106	194
Supplies and materials	1,000	1,000	1,307	(307)
Total school administration	73,600	71,500	69,506	1,994
Business services				
Salaries	26,000	26,000	24,752	1,248
Employee benefits	14,000	14,000	13,516	484
Purchased services	600	600	358	242
Supplies and materials	1,000	1,000	1,356	(356)
Other	2,725	3,000	3,173	(173)
Total business services	44,325	44,600	43,155	1,445
Operations and maintenance				
Salaries	42,000	42,000	43,742	(1,742)
Employee benefits	15,000	21,500	16,978	4,522
Purchased services	47,800	52,500	24,484	28,016
Supplies and materials	102,000	108,000	107,636	364
Total operations and maintenance	206,800	224,000	192,840	31,160
Student transportation				
Salaries	49,000	49,000	49,621	(621)
Employee benefits	12,000	13,500	16,203	(2,703)
Purchased services	10,000	10,300	5,050	5,250
Supplies and materials	40,000	40,000	28,322	11,678
Total student transportation	111,000	112,800	99,196	13,604

(continued)

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2018**

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	54,900	59,110	56,495	2,615
Supplies and materials	5,000	5,000		5,000
Total central support services	59,900	64,110	56,495	7,615
Total supporting services	851,975	873,660	760,427	113,233
Appropriated reserves	1,351,775	1,431,591		1,431,591
Total expenditures	\$ 3,171,965	\$ 3,268,004	\$ 1,632,844	\$ 1,635,160

## **Budgetary Comparison Schedules - Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

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

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.
- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2018**

	Food Service Fund	Pupil Activity Fund	Totals
<b>Assets</b>			
Cash	\$ 9,670	\$ 99,520	\$ 109,190
Inventories	1,662		1,662
Other receivables	413		413
<b>Total assets</b>	<b>\$ 11,745</b>	<b>\$ 99,520</b>	<b>\$ 111,265</b>
<b>Liabilities</b>			
Accounts payable	\$ 12		\$ 12
Accrued salaries and benefits	5,918		5,918
Due to other funds		\$ 595	595
<b>Total liabilities</b>	<b>5,930</b>	<b>595</b>	<b>6,525</b>
<b>Fund balance</b>			
Nonspendable inventories	1,662		1,662
Restricted for food service operations	4,153		4,153
Committed to pupil activities		98,925	98,925
<b>Total fund balance</b>	<b>5,815</b>	<b>98,925</b>	<b>104,740</b>
<b>Total liabilities and fund balance</b>	<b>\$ 11,745</b>	<b>\$ 99,520</b>	<b>\$ 111,265</b>

**ARICKAREE SCHOOL DISTRICT R-2**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2018**

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
Local sources	\$ 36,051	\$ 99,457	\$ 135,508
State sources	786		786
Federal sources	38,908		38,908
Total revenues	75,745	99,457	175,202
Expenditures			
Instruction		86,219	86,219
Supporting services	101,651		101,651
Total expenditures	101,651	86,219	187,870
Excess of revenues over (under) expenditures	(25,906)	13,238	(12,668)
Other financing sources			
Transfers in	25,000		25,000
Net change in fund balance	(906)	13,238	12,332
Fund balance at beginning of year	6,721	85,687	92,408
Fund balance at end of year	\$ 5,815	\$ 98,925	\$ 104,740

**ARICKAREE SCHOOL DISTRICT R-2**  
**Food Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 33,200	\$ 34,869	\$ 36,051	\$ 1,182
State sources	1,450	1,026	786	(240)
Federal sources	37,000	37,000	38,908	1,908
Total revenues	71,650	72,895	75,745	2,850
<b>Expenditures</b>				
Food service operations				
Salaries	30,750	30,750	29,784	966
Employee benefits	7,700	7,800	7,894	(94)
Purchased services	600	1,500	110	1,390
Supplies and materials	63,950	62,950	63,748	(798)
Other			115	(115)
Total expenditures	103,000	103,000	101,651	1,349
Excess of revenues over (under) expenditures	(31,350)	(30,105)	(25,906)	4,199
<b>Other financing sources</b>				
Transfers in	30,000	25,000	25,000	-
Net change in fund balance	\$ (1,350)	\$ (5,105)	(906)	\$ 4,199
Fund balance at beginning of year			6,721	
Fund balance at end of year			\$ 5,815	

**ARICKAREE SCHOOL DISTRICT R-2**  
**Pupil Activity Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Pupil activities	\$ 150,000	\$ 75,747	\$ 99,457	\$ 23,710
Total revenues	150,000	75,747	99,457	23,710
Expenditures				
Pupil activities	150,000	150,000	86,219	63,781
Total expenditures	150,000	150,000	86,219	63,781
Net change in fund balance	\$ -	\$ (74,253)	13,238	\$ 87,491
Fund balance at beginning of year			85,687	
Fund balance at end of year			\$ 98,925	

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## **Budgetary Comparison Schedule - Capital Projects Fund**

The District reports the following major capital projects fund:

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Capital Reserve Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Other local revenues	\$ 32,500	\$ 35,000	\$ 55,506	\$ 20,506
Total revenues	32,500	35,000	55,506	20,506
Expenditures				
Capital outlay				
Purchased services	10,000	135,000	136,468	(1,468)
Property	110,000	144,500	99,660	44,840
Debt service				
Principal	20,000		31,195	(31,195)
Interest and fiscal charges	1,000		2,824	(2,824)
Appropriated reserves	7,985	5,500		5,500
Total expenditures	148,985	285,000	270,147	14,853
Excess of revenues over (under) expenditures	(116,485)	(250,000)	(214,641)	35,359
Other financing sources				
Transfers in	100,000	250,000	288,765	38,765
Net change in fund balance	\$ (16,485)	\$ -	74,124	\$ 74,124
Fund balance at beginning of year			-	
Fund balance at end of year			\$ 74,124	

### **Budgetary Comparison Schedule – Fiduciary Fund**

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

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Scholarship Trust Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions and earnings	\$ 610	\$ 455	\$ 310	\$ (145)
Total revenues	610	455	310	(145)
Expenditures				
Scholarship awards	600	600	350	250
Total expenditures	600	600	350	250
Change in net position	\$ 10	\$ (145)	(40)	\$ 105
Net position at beginning of year			5,134	
Net position at end of year			\$ 5,094	

**Colorado Department of Education  
Supplementary Schedule**

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



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**LAUER, SZABO &  
ASSOCIATES, PC**

*Certified Public Accountants*

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Phone 970-522-2218 • FAX 970-522-2220

**Independent Auditors' Report on Auditors' Integrity Report**

Board of Education  
Arickaree School District R-2  
Anton, Colorado

We have audited the financial statements of the Arickaree School District R-2 (the District) as of and for the year ended June 30, 2018, and our report thereon dated October 3, 2018, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 3, 2018



**Colorado Department of Education**

**Auditors Integrity Report**

District: 3040 - ARICKAREE R-2

Fiscal Year 2017-18

Colorado School District/BOCES

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,658,490	1,705,676	1,576,349	1,787,817
18 Risk Mgmt Sub-Fund of General Fund	6,916	63,164	56,495	13,585
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>1,665,406</b>	<b>1,768,840</b>	<b>1,632,844</b>	<b>1,801,403</b>
11 Charter School Fund	0	0	0	0
20, 26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	6,721	100,745	101,632	5,815
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	85,687	99,457	86,219	98,925
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	344,271	270,148	74,124
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
<b>Totals</b>	<b>1,757,815</b>	<b>2,313,314</b>	<b>2,090,863</b>	<b>1,980,266</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	5,134	310	350	5,094
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASS 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>5,134</b>	<b>310</b>	<b>350</b>	<b>5,094</b>

FINAL

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