

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SILVERTON, COLORADO**

**FINANCIAL STATEMENTS**  
**AND**  
**INDEPENDENT AUDITOR'S REPORT**  
June 30, 2018

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**Maggard  
& Hood, P.C.**

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CERTIFIED PUBLIC ACCOUNTANTS

Board of Education  
San Juan County School District No. 1  
Silverton, Colorado

**INDEPENDENT AUDITOR'S REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and each fiduciary fund type, of the San Juan County (Silverton) School District No. 1, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and each fiduciary fund type of the San Juan County (Silverton) School District No. 1, as of June 30, 2018 and the respective changes in financial position and, where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Emphasis of a Matter**

The District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. As a result of the implementation of GASB Statement No. 75 as described in Note 17 of the financial statements, the District reported a restatement for the change in accounting principle. Our opinions are not modified with respect to the restatement.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the pension disclosure information, listed as "required supplementary information" 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 Supplemental Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Juan County (Silverton) School District No. 1's basic financial statements. The combining and individual fund financial statements and additional schedules listed as "other supplemental information" in the table of contents are for purposes of additional analysis and are not a required part of the basic financial statements. The electronic financial data integrity check figures and reconciliation are presented for purposes of additional analysis as required by the Colorado Department of Education, and are also not required parts of the basic financial statements. The information is the responsibility of management and is derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 taken as a whole.



MAGGARD & HOOD, P.C.

*Glenwood Springs, Colorado*

December 7, 2018

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Fiscal Year Ended June 30, 2018

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The San Juan County (Silverton) School District No. 1 was organized in 1871. It is a small public school located in Silverton, Colorado, in the heart of the San Juan mountain range. The school has approximately 74 students in grades K-12 and is housed in an historic 3 story red brick building. In 2002, the Silverton School joined a network of 115 Expeditionary Learning schools across the country. Expeditionary Learning Outward Bound is a proven model for comprehensive school reform for elementary, middle and high schools. It emphasizes learning by doing, with a particular focus on character growth, teamwork, reflection and literacy. Teachers connect high quality academic learning to adventure, service and character development through a variety of student experiences including interdisciplinary, project based learning expeditions. This national model works well with our school's setting, small class sizes, and overall goals for academic excellence.

The discussion and analysis of the San Juan County (Silverton) School District No. 1'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 and should be read in conjunction with the basic financial statements and notes to enhance the reader's understanding of the District's overall financial performance.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for the fiscal year ended June 30, 2018 are as follows:

- The District has implemented the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, in the current year which required a restatement of prior period Net Assets for the change in accounting principle. Similar to GASB Statement No. 68 which requires the reporting of the District's proportionate share of the total PERA net pension liability in its government-wide financial statements, GASB Statement No. 75 requires the District to report its proportionate share of the total PERA Health Care Trust Fund (HCTF) net Other Post-Employment Benefits (OPEB) in its government-wide financial statements. As of June 30, 2018, the District's share of the PERA net pension liability is \$5,614,114 and the District's share of the PERA HCTF net OPEB liability is \$128,203.
- The District's overall net position is positive with governmental assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources by \$6.1 million after application of GASB Statements No. 68 and No. 75 which are discussed in more detail on page 11 and in the notes to the financial statements. Fund level financial statements are not impacted by GASB 68 and GASB 75 reporting.
- The District's total net position of governmental activities decreased by \$1.25 million, primarily due to the impacts of GASB Statements No. 68 and No. 75, which is a contrast to its decrease in fund balance on a governmental fund basis of \$218 thousand. A reconciliation of the differences between changes in governmental fund balances and changes in net position is found on page 17 and a discussion of the differences between the two accounting methodologies is discussed below.

**USING THE BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the San Juan County (Silverton) School District No. 1 as a financial whole, or as an entire operating activity. The statement of net position and statement of activities provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For the San Juan County (Silverton) School District No. 1, the General Fund is the most significant fund. The remaining statements provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the reporting entity. The financial statements also include notes that explain some of the information in the statements and provide more detailed data.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Fiscal Year Ended June 30, 2018

**REPORTING THE DISTRICT AS A WHOLE**

**Statement of Net Position and Statement of Activities**

While this report contains all funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during the current fiscal year?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. The basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

The focus of the government-wide financial statements is on the overall financial position of the District. These statements are constructed around the concept of a primary government, the District. As described below, the financial statements of fiduciary funds are not included in the government-wide financial statements, because resources of these funds cannot be used to finance the District's activities. However, the financial statements of fiduciary funds are included in the fund financial statements because the District is financially accountable for those resources, even though they belong to other parties.

The two statements report the District's net position and changes therein. This change is important because it identifies whether the financial position of the District has improved or diminished for the District as a whole. The cause of this change may be the result of many factors, some financial, some not. Nonfinancial factors include the District's property tax base, current property tax laws, enrollment levels, statutorily required reserves, facility conditions, required educational programs and other factors.

In the statement of net position and the statement of activities, the School District has the following activities:

**Governmental Activities** – Governmental activities are generally financed through taxes, intergovernmental revenues and other non-exchange revenues. Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance, pupil transportation, and extracurricular activities.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Fiscal Year Ended June 30, 2018

**FUND FINANCIAL STATEMENTS**

Fund financial reports provide detailed information about the District's major funds. The District considers all funds as significant, or major, funds. Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations. The District's funds financial statements are divided into two broad categories; namely (1) governmental funds and (2) fiduciary funds.

**Governmental Funds** – The District's activities in governmental funds focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between government-wide activities and the governmental funds is reconciled in the financial statements. The District's major governmental funds are:

**General Fund** – The General Fund is the District's primary operating fund and accounts for the majority of the District's instruction and support operations.

**Food Service Fund** – The Food Service Fund is a special revenue fund which accounts for the District's general food service activities with revenue sources specifically designated for such activities.

**Student Activities Fund** – The Student Activities Fund accounts for student athletic/nonathletic activities and is a special revenue fund with revenue sources raised specifically from such activities.

**Bond Redemption Fund** – The Bond Redemption Fund accounts for transactions related to debt service of the District's general obligation bonds and interest.

**Capital Projects Fund** – The Capital Reserve Fund accounts for funds assigned for the acquisition of capital items such as land, vehicles, equipment and improvements to existing structures.

**Fiduciary Fund** – The District's fiduciary (or *Agency*) fund is reported in the Statements of Fiduciary Net Position. The activities are excluded from the District's governmental funds because the District cannot use these assets to finance its operations. The fiduciary is responsible for ensuring that these assets are used for their intended purposes. The fiduciary fund is the:

**Foundation Agency Fund** – The Foundation Agency Fund accounts for funds available for future distribution by the foundation.

**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.

**SUPPLEMENTARY & SUPPLEMENTAL INFORMATION**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information required by U.S. generally accepted accounting principles, as well as other supplemental information to assist the reader in a full understanding of the financial statements and additional schedules required by the Colorado Department of Education.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Fiscal Year Ended June 30, 2018

**THE DISTRICT AS A WHOLE**

The perspective of the statement of net position is of the District as a whole. Following is a summary of the District's net position for the fiscal years ending June 30, 2018 compared to 2017.

<i>(In Thousands)</i>	Governmental Activities	
	2018	<i>(Restated)</i> 2017
<u>ASSETS:</u>		
Current and Other Assets	\$ 416	\$ 573
Capital Assets, Net	11,655	11,857
	12,071	12,430
<u>DEFERRED OUTFLOWS:</u>		
Related to Pensions	1,625	2,020
Related to OPEBs	5	-
	1,630	2,020
<u>LIABILITIES:</u>		
Current & Other Liabilities	171	123
Long-term Liabilities	1,369	1,459
Net Pension Liability	5,614	5,261
Net OPEB Liability	128	126
	7,282	6,969
<u>DEFERRED INFLOWS:</u>		
Related to Pensions	280	94
Related to OPEBs	4	-
	284	94
<u>NET POSITION:</u>		
Invested in Capital Assets, Net of Related Debt	10,321	10,435
Restricted	136	110
Unrestricted	(4,322)	(3,158)
	\$ 6,135	\$ 7,387

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and equipment) less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Resources to repay debt on these assets must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. Restricted balances are amounts set aside by management to satisfy debt service requirements, finance future purchases and pay for capital projects as planned by the District. The District's Statement of Net Position also includes the District's proportionate share of the unfunded liability in the Public Employees Retirement Association (PERA) future retiree pension and PERA Health Care Trust Fund (OPEB). The negative unrestricted assets balance merely represents that there are *long-term* obligations, including pensions, in excess of *currently* available resources.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Fiscal Year Ended June 30, 2018

**THE DISTRICT AS A WHOLE -- CONTINUED**

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The following detail reflects the total cost of services supported by program revenues and general property taxes, unrestricted state entitlements, and other general revenues, resulting in the overall change in net position for the current fiscal year:

<i>(In Thousands)</i>	<u>Governmental Activities</u>	
	<u>2018</u>	<u>(Restated) 2017</u>
<u>REVENUES:</u>		
Program Revenues:		
Charges for Services & Sales	\$ 67	\$ 54
Operating Grants & Contributions	302	263
Capital Grants and Contributions	-	-
Total Program Revenues	<u>369</u>	<u>321</u>
General Revenues:		
Property Taxes - General	519	500
Property Taxes - Debt Service	112	105
Specific Ownership Taxes	47	42
State Equalization, Net	560	637
Federal Forest & Mineral Lease Revenues	41	8
Other General Revenues	34	25
Total General Revenues	<u>1,313</u>	<u>1,317</u>
Total Revenues	<u>1,682</u>	<u>1,638</u>
<u>PROGRAM EXPENSES:</u>		
Instruction	1,009	1,020
Support Services:		
Students	8	4
Instructional Staff	122	7
General Administration	184	195
School Administration	61	7
Business Support Services	83	83
Operations and Maintenance	157	167
Student Transportation	13	14
Central Support Services	36	36
Enterprise Support Services	8	14
Community Services	48	102
Other Support Services	15	15
Food Services	47	53
Facilities: Non-Capitalized Expenses	-	3
Unallocated PERA Actuarial Adjustment	936	779
Unallocated OPEB Actuarial Adjustment	1	126
Interest and Fiscal Charges	49	41
Unallocated Depreciation	<u>158</u>	<u>155</u>
Total (Expenses)	<u>2,935</u>	<u>2,821</u>
Increase (Decrease) in Net Position	<u>\$ (1,253)</u>	<u>\$ (1,183)</u>

Most of the District's revenues come from the Public School Finance Act of 1994 (SFA), which is comprised of general property taxes, specific ownership taxes and state equalization based on the statewide formula for pupil funding. In fiscal year 2018, approximately 53% of SFA funding came from state equalization and 47% from taxes. For the fiscal year 2018, the net position of the District's governmental activities decreased by approximately \$1.25 million primarily resulting from the District's allocated portion of actuarial adjustments to PERA net pension and OPEB liabilities.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Fiscal Year Ended June 30, 2018

**THE DISTRICT AS A WHOLE -- NET COST OF SERVICES**

As indicated above, the statement of activities reflects the cost of program services and the charges for services, grants, and contributions offsetting those services. The following table summarizes the information from the statement of activities, reflecting the total cost of program services and the remaining net cost of program services supported by taxes and other general revenues:

<i>(In Thousands)</i>	Fiscal Year 2018		Fiscal Year 2017	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Instruction	\$ 1,009	\$ 697	\$ 1,020	\$ 923
Support Services:				
Students	8	8	4	4
Instructional Staff	122	122	7	7
General Administration	184	184	195	195
School Administration	61	61	7	7
Business Support Services	83	83	83	83
Operations and Maintenance	157	157	167	167
Student Transportation	13	13	14	14
Central Support Services	36	36	36	36
Enterprise Support Services	8	8	14	14
Community Services	48	1	102	13
Other Support Services	15	15	15	15
Food Services	47	37	53	36
Facilities: Non-Capitalized Expenses	-	-	3	3
Unallocated PERA Adjustment	936	936	779	779
Unallocated OPEB Adjustment	1	1	126	126
Interest and Fiscal Charges	49	49	41	41
Unallocated Depreciation	158	158	155	155
<b>NET COST OF SERVICES</b>	<b>\$ 2,935</b>	<b>\$ 2,566</b>	<b>\$ 2,821</b>	<b>\$ 2,500</b>

The dependence on general revenues for governmental activities is apparent as approximately 87% and 89% of governmental activities were supported in 2018 and 2017, respectively, through taxes and other general revenues. The community as a whole is the primary support for the District's students.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Fiscal Year Ended June 30, 2018

**THE DISTRICT'S FUNDS**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds are accounted for using the modified accrual basis of accounting.

***Governmental Funds –***

*General Fund*

The General Fund had an overall decrease in fund balance of \$249,491. The ending fund balance of \$19,902 is the amount available for future spending.

*Food Service Fund*

The Food Service Fund had an overall decrease in fund balance of \$2,529. The ending fund balance of \$7,579 is the amount available for future spending.

*Student Activities Fund*

The Student Activities Fund had an overall increase in fund balance of \$8,146. The ending fund balance of \$35,786 is the amount available for future spending.

*Bond Redemption Fund*

The Bond Redemption Fund had an overall increase in fund balance of \$25,899. The ending fund balance of \$90,204 is the amount available for future debt service.

*Capital Projects Fund*

The Capital Projects Fund had an overall increase in fund balance of \$244. The ending fund balance of \$21,451 is the amount available for future capital outlay.

***Fiduciary (Agency) Fund –***

The *Foundation Agency Fund* ended the year with \$132,113 available for future spending.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
For the Fiscal Year Ended June 30, 2018

**GENERAL FUND BUDGETING HIGHLIGHTS**

The District's procedures in establishing the budgetary data reflected in the financial statements is summarized in *Note 1(E)* of the financial statements. The District uses a line-item based budget which is designed to control line-item expenditures, but provide flexibility for overall budgetary management. During the course of the current fiscal year the District amended its General Fund budget as needed. For budgetary basis, lease-purchase proceeds and related capital acquisitions have been netted in expenditures.

For the General Fund, budgetary revenues and other financing sources of \$1,478,485 were below final budgetary expectations of \$1,629,198 by \$150,713.

The District's General Fund budgetary expenditures and other financing uses of \$1,727,976 were less than the final appropriated balance of \$1,742,091 by \$14,115.

The Board of Directors and District management continue to strive to budget appropriate amounts for each individual line item and to provide services in the most economical manner. It is not anticipated that this year's budgetary variances will have a significant impact on future services or liquidity.

**CAPITAL ASSETS**

At the end of fiscal year 2018, the District had a total of \$11,654,839 invested in capital assets, net of accumulated depreciation. The following reflects the balances of the current and prior fiscal year:

<i>(In Thousands)</i>	Governmental Activities	
	2018	2017
<i>Net of Depreciation:</i>		
Land and Improvements	\$ 891	\$ 891
Buildings & Improvements	10,542	10,679
Equipment and Vehicles	220	284
Food Service Equipment	2	3
	\$ 11,655	\$ 11,857

**DEBT ADMINISTRATION**

At June 30, 2018 the District had \$832,609 in outstanding general obligation bonds and \$497,076 of lease purchase obligations; of which the current principal portion to be paid in the next fiscal year is \$95,128. The bonds are being paid from a mill levy in the Bond Redemption fund over a 20 year period with the last payment due in fiscal year 2030. In addition, the District also has a long-term liability for accrued compensated absences in the amount of \$39,089.

Other long-term obligations consist of the District's proportionate share of the aforementioned PERA Net Pension Liability in the amount of \$5,614,114 and PERA HCTF Net OPEB Liability in the amount of \$128,203.

Additional information can be found in *Note 5* of the financial statements.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

For the Fiscal Year Ended June 30, 2018

**CURRENT ISSUES, ECONOMIC CONDITION AND OUTLOOK**

The Public School Finance Act of 1994 (SFA) is the largest source of revenue for the District's operating funds. The SFA calculates per-pupil funding by school district based upon a formula using a number of factors including cost of living, number of students, district size, personnel vs. non-personnel costs, and number of at-risk students. The purpose of the SFA was to establish a financial base of support for public education, to move towards a uniform mill levy tax state-wide for all districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the SFA are derived by the following formula:

*Total Program Funding - local property taxes + general specific ownership taxes + state equalization*

The United States and the State of Colorado have experienced unprecedented economic decline. One impact of this budget crisis is the reduction in the State of Colorado's general fund revenues. Because educational expenditures represent a significant portion of the State of Colorado's total expenditures, the District anticipates its future revenues may be impacted; if District revenues are reduced, the District will be required to reduce its future program expenditures. The Board and Administration will continue to carefully review spending to maintain a careful balance between education and fiscal responsibility.

According to Colorado PERA, the overall statewide collective net pension liability for the PERA School Division Trust Fund is \$32.3 billion, an increase of approximately \$2.5 billion from the prior year. This and the effect of other actuarial changes (primarily the net difference between actual and projected pension investment earnings), have increased the District's proportionate share of the collective net pension liability. In addition, the new reporting requirements of GASB Statement No. 75 reflect an increase to the District's proportionate share of the collective net OPEB liability whereas the overall statewide collective PERA Health Care Trust Fund Net OPEB liability increased from \$1.29 billion to \$1.3 billion.

As indicated in Note 18 of the financial statements, during the 2018 legislative session, the Colorado General Assembly passed significant pension reform with the goal of eliminating the unfunded actuarial accrued liability and reaching a 100 percent funded ratio within the next 30 years.

It is important to note that the requirements for the reporting of the proportionate share of the net pension and net OPEB liabilities do not necessarily reflect the financial condition of a governmental entity because the liabilities cannot be made immediately due and payable. Furthermore, the District has no legal obligation to fund PERA's unfunded accrued actuarial liability nor does the District have any ability to affect funding, benefits or annual required contribution decisions made by PERA in administering the defined pension plan. It is also important to note that the reporting requirements have no impact on the District's fund level financial statements which are used for internal and budgetary use; rather, the change only effects the District's government-wide financial statement reporting (a long-term perspective) in the year-end audited financial statements.

See the accompanying financial statement notes for the full disclosures related to PERA and OPEB.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our residents, customers, taxpayers, investors, and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have any questions regarding this report or need additional information, please contact the:

San Juan County School District No. 1  
Attn: Business Office  
P.O. Box 128; 1160 Snowden Street  
Silverton, Colorado 81433  
Tel: (970) 387-5543  
Fax: (970) 387-5791

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**STATEMENT OF NET POSITION**

June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
Current Assets	
Cash and Cash Equivalents	\$ 217,682
Receivables:	
Property Taxes	118,479
Intergovernmental	65,427
Other Receivables	7,879
Inventory	2,536
Prepaid Expenses	4,741
Internal Balances	<u>-</u>
Total Current Assets	<u>416,744</u>
Capital Assets:	
Capital Assets, Non-Depreciable	890,723
Capital Assets, Depreciable	<u>10,764,116</u>
Total Capital Assets	<u>11,654,839</u>
<b>TOTAL ASSETS</b>	<u>12,071,583</u>
<b>DEFERRED OUTFLOWS:</b>	
Deferred Outflows Related to Pensions	1,624,595
Deferred Outflows Related to OPEBs	<u>5,275</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u>1,629,870</u>
<b>LIABILITIES:</b>	
Accounts Payable	28,333
Accrued Salaries and Benefits	99,979
Accrued Interest Payable	3,934
Due to Agency Fund	4,580
Unearned Revenue	34,473
Long-term Debt:	
Portion Due or Payable within One Year:	
Lease Purchases	39,194
Best Program Bonds Series 2010 B-C	55,934
Portion Due or Payable After One Year:	
Lease Purchases	457,882
Best Program Bonds Series 2010 B-C	776,675
Compensated Absences	39,089
Net Pension Liability	5,614,114
Net OPEB Liability	<u>128,203</u>
<b>TOTAL LIABILITIES</b>	<u>7,282,390</u>
<b>DEFERRED INFLOWS:</b>	
Deferred Inflows Related to Pensions	280,194
Deferred Inflows Related to OPEBs	<u>4,107</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u>284,301</u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	10,321,220
Restricted for:	
Debt Service	90,204
Emergencies	46,000
Unrestricted	<u>(4,322,662)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 6,134,762</u>

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**STATEMENT OF ACTIVITIES**

For the Fiscal Year Ended June 30, 2018

	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>		
		<u>Charges For Services and Sales</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>GOVERNMENTAL ACTIVITIES:</b>				
Instruction	\$ 1,008,916	\$ 66,806	\$ 244,951	\$ -
General Support Services:				
- Student Based	8,040	-	-	-
- Instructional Staff	121,984	-	-	-
- General Administration	183,904	-	-	-
- School Administration	61,150	-	-	-
Business Support Services:				
- Business Services	83,443	-	-	-
- Operations and Maintenance	157,024	-	-	-
Transportation	13,051	-	-	-
Central Support Services	35,595	-	-	-
Enterprise Support Services	7,840	-	-	-
Community Support Services	47,792	-	47,123	-
Other Support Services	14,586	-	-	-
Food Services	46,953	319	9,471	-
Unallocated PERA Adjustment	935,551	-	-	-
Unallocated OPEB Adjustment	736	-	-	-
Interest on Long-Term Debt	49,464	-	-	-
Depreciation – Unallocated ( <i>See Note 4</i> )	158,192	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 2,934,221</u>	<u>\$ 67,125</u>	<u>\$ 301,545</u>	<u>\$ -</u>

**GENERAL REVENUES:**

Taxes:

Property Taxes, Levied For General Purposes

Property Taxes, Levied For Debt Service

Specific Ownership Taxes, for General Purposes

State Equalization

Federal Forest and Mineral Lease Revenues

Unrestricted Interest and Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Position

NET POSITION – BEGINNING OF YEAR (RESTATED)

NET POSITION – END OF YEAR

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

NET (EXPENSE) REVENUE AND  
CHANGES IN NET POSITION

Governmental  
Activities

\$ (697,159)

(8,040)

(121,984)

(183,904)

(61,150)

(83,443)

(157,024)

(13,051)

(35,595)

(7,840)

(669)

(14,586)

(37,163)

(935,551)

(736)

(49,464)

(158,192)

(2,565,551)

518,629

112,062

47,333

560,454

40,763

2,991

30,695

1,312,927

(1,252,624)

7,387,386

\$ 6,134,762

FUND FINANCIAL STATEMENTS

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	<u>General Fund</u>	<u>Food Service (Special Revenue) Fund</u>	<u>Student Activities Fund</u>	<u>Bond Redemption Fund</u>
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 88,645	\$ 1,803	\$ 36,778	\$ 74,505
Receivables:				
Taxes	35,940	-	-	8,082
County Treasurer	43,581	-	-	9,186
Grants Receivable	12,660	-	-	-
Other	7,879	-	-	-
Inventories	-	2,536	-	-
Prepaid Expenses	4,741	-	-	-
Due From Other Funds	<u>3,562</u>	<u>3,240</u>	<u>-</u>	<u>-</u>
 TOTAL ASSETS	 <u>\$ 197,008</u>	 <u>\$ 7,579</u>	 <u>\$ 36,778</u>	 <u>\$ 91,773</u>
 <b>LIABILITIES AND FUND BALANCES:</b>				
Liabilities:				
Accounts Payable	\$ 28,333	\$ -	\$ -	\$ -
Accrued Salaries and Benefits	99,979	-	-	-
Due To Other Funds	14,321	-	992	1,569
Unearned Revenue	<u>34,473</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Liabilities	 <u>177,106</u>	 <u>-</u>	 <u>992</u>	 <u>1,569</u>
Fund Balances:				
Non-Spendable	4,741	2,536	-	-
Restricted for Debt Service	-	-	-	90,204
Restricted for Tabor Emergencies	46,000	-	-	-
Assigned	-	5,043	35,786	-
Unassigned	<u>(30,839)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total Fund Balances	 <u>19,902</u>	 <u>7,579</u>	 <u>35,786</u>	 <u>90,204</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 197,008</u>	 <u>\$ 7,579</u>	 <u>\$ 36,778</u>	 <u>\$ 91,773</u>

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

Capital Projects Fund	TOTAL
\$ 15,951	\$ 217,682
-	44,022
-	52,767
-	12,660
-	7,879
-	2,536
-	4,741
<u>5,500</u>	<u>12,302</u>
<u>\$ 21,451</u>	<u>\$ 354,589</u>
\$ -	\$ 28,333
-	99,979
-	16,882
<u>-</u>	<u>34,473</u>
<u>-</u>	<u>179,667</u>
-	7,277
-	90,204
-	46,000
21,451	62,280
<u>-</u>	<u>(30,839)</u>
<u>21,451</u>	<u>174,922</u>
<u>\$ 21,451</u>	<u>\$ 354,589</u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES**  
**TO NET POSITION OF GOVERNMENTAL ACTIVITIES**  
June 30, 2018

TOTAL GOVERNMENTAL FUND BALANCES \$ 174,922

Amounts reported for governmental activities on the Statement of Net Position are different because of the following:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Governmental Capital Assets	\$ 13,931,598	
Less Accumulated Depreciation	<u>(2,276,759)</u>	11,654,839

Property taxes receivable that are due later than 60 days after year end are not available soon enough to pay for the current period's expenditures, and therefore not reported in the governmental funds.

74,457

Some liabilities are not due and payable in the current year and therefore, are not reported in the governmental funds.

Accrued Interest Payable	\$ (3,934)	
Current Portion of Long-Term Debt	<u>(95,128)</u>	(99,062)

Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the governmental funds:

Accrued Compensated Absences	\$ (39,089)	
Lease Purchase Obligations	(457,882)	
Bonds Payable-Noncurrent Portion	(776,675)	
Net Pension Liability	(5,614,114)	
Net OPEB Liability	(128,203)	
Deferred Outflows of Resources	1,629,870	
Deferred Inflows of Resources	<u>(284,301)</u>	<u>(5,670,394)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 6,134,762

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
For the Fiscal Year Ended June 30, 2018

	<u>General Fund</u>	<u>Food Service (Special Revenue) Fund</u>	<u>Student Activities Fund</u>	<u>Bond Redemption Fund</u>
<b>REVENUES:</b>				
Local Sources	\$ 677,491	\$ 531	\$ 66,878	\$ 112,743
Intermediate Sources	40,763	-	-	-
State Sources	715,402	394	-	-
Federal Sources	<u>44,829</u>	<u>9,471</u>	<u>-</u>	<u>-</u>
Total Revenues	<u>1,478,485</u>	<u>10,396</u>	<u>66,878</u>	<u>112,743</u>
<b>EXPENDITURES:</b>				
Instruction	890,867	-	58,732	-
Supporting Services:				
General	374,951	-	-	-
Business	267,677	-	-	-
Central	35,595	-	-	-
Enterprise Support	7,840	-	-	-
Community Services	47,792	-	-	-
Other	14,586	-	-	-
Food Services	-	46,419	-	-
Debt Service:				
Principal	38,140	-	-	53,867
Interest	<u>17,034</u>	<u>-</u>	<u>-</u>	<u>32,977</u>
Total Expenditures	<u>1,694,482</u>	<u>46,419</u>	<u>58,732</u>	<u>86,844</u>
Excess of Revenues Over (Under) Expenditures	(215,997)	(36,023)	8,146	25,899
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	33,494	-	-
Transfers (Out)	<u>(33,494)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(249,491)	(2,529)	8,146	25,899
FUND BALANCES – Beginning	<u>269,393</u>	<u>10,108</u>	<u>27,640</u>	<u>64,305</u>
FUND BALANCES – Ending	<u>\$ 19,902</u>	<u>\$ 7,579</u>	<u>\$ 35,786</u>	<u>\$ 90,204</u>

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

<u>Capital Projects Fund</u>	<u>TOTAL</u>
\$ 244	\$ 857,887
-	40,763
-	715,796
-	54,300
<u>244</u>	<u>1,668,746</u>
-	949,599
-	374,951
-	267,677
-	35,595
-	7,840
-	47,792
-	14,586
-	46,419
-	92,007
-	50,011
<u>-</u>	<u>1,886,477</u>
244	(217,731)
-	33,494
-	(33,494)
244	(217,731)
<u>21,207</u>	<u>392,653</u>
<u>\$ 21,451</u>	<u>\$ 174,922</u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
For the Fiscal Year Ended June 30, 2018

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS \$ (217,731)

Amounts reported for governmental activities on the Statement of Activities are different because of the following:

Governmental Funds report capital outlays as expenditures, however, on the Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. The net book value of asset dispositions is an adjustment to gain (loss) on the Statement of Activities. This is the amount by which capital outlay exceeded depreciation expense and loss on asset dispositions in the current period:

Capital Outlay	\$ 16,975	
Depreciation Expense	<u>(218,984)</u>	(202,009)

In Governmental Funds, revenues for property taxes are measured by the amount of current financial resources provided, including amounts due within 60 days after the end of the year; whereas, in the Statement of Activities, property taxes are measured as the revenue is earned. This is the amount by which current property taxes to be received after 60 days from the end of the year increased from the previous fiscal year: 12,851

Compensated absences that are not payable from current resources are not reported as expenditures in Governmental Funds; whereas, in the Statement of Activities, compensated absences are measured as the benefits are earned by employees during the year. This is the amount by which compensated absences increased from the previous fiscal year: (2,002)

Interest expense is recognized as an expenditure in the governmental funds when it is due as it requires the use of current financial resources; however, in the Statement of Activities interest expense is recognized as the interest accrues regardless of when due. This is the amount by which accrued interest decreased from the previous fiscal year: 546

Proceeds from the issuance of long-term debt provide current financial resources to governmental funds, but issuing long-term debt increases long-term liabilities in the Statement of Net Position. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Current Period Debt Proceeds	\$ -	
Current Period Debt Repayment	<u>92,008</u>	92,008

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Change in Net Pension Liability	\$ (353,099)	
Change in Net OPEB Liability	(1,904)	
Change in Deferred Outflows	(390,818)	
Change in Deferred Inflows	<u>(190,466)</u>	<u>(936,287)</u>

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (1,252,624)

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FOUNDATION AGENCY FUND**  
For the Fiscal Year Ended June 30, 2018

	<u>FOUNDATION AGENCY FUND</u>
<u>ASSETS:</u>	
Cash and Cash Equivalents	\$ 127,533
Due From Other Funds	<u>4,580</u>
Total Assets	<u>\$ 132,113</u>
<u>LIABILITIES:</u>	
Funds Held on Behalf of Foundation	<u>\$ 132,113</u>
Total Liabilities	<u>\$ 132,113</u>

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

The financial statements of the San Juan County (Silverton) School District No. 1 are prepared in accordance with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District is discussed below.

A. Financial Reporting Entity

The San Juan County (Silverton) School District No. 1 is organized under the laws of the State of Colorado and is governed by an elected five member Board of Education. Board of Education members are elected by the citizens of San Juan County, not appointed by any other governing body. The Board selects the superintendent of schools and senior level administrators. The Board is solely responsible for the District's budget adoption process. The District meets the criteria of a primary government; its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent with the authority to: a) determine its budget without another government's authority to approve or modify; b) levy taxes or charges without another government's approval; and, c) issue bonded debt without approval by another government.

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes.

The reporting entity consists of (a) the primary government; i.e., the District, and (b) organizations for which the District is financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to other organizations that are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the District. Organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on these criteria, the District's financial statements do not include any component units, nor do they exclude any potential component units requiring inclusion in the District's reporting entity. The District is not a component unit of any other governmental reporting entity. The District's financial statements include the accounts of all District operations.

The District is a member of the San Juan County Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the "Board of Cooperative Services Act of 1965" and is governed by a board consisting of representatives from each participating district. The BOCES does not meet the criteria for inclusion within the reporting entity of the District due to the lack of an ongoing financial interest. Additional information regarding the District's participation is provided in *Note 14*.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

**B. Basis of Presentation**

The District's basic financial statements consist of government-wide statements, including a statement of net position and statement of activities, and fund financial statements which provide a more detailed level of financial information.

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

*FUND FINANCIAL STATEMENTS*

During the fiscal year, the District segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance by segregating transactions related to certain governmental functions or activities. Fund financial statements are designed to present financial information of the District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column.

**C. Fund Accounting**

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses. The District's funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations based upon the purposes for which they are to be spent and by the means by which spending activities are controlled. The various funds are grouped, in the financial statements, as follows:

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

C. Fund Accounting - continued

*GOVERNMENTAL FUNDS* – those through which most governmental functions of the District are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between the governmental fund assets and liabilities is reported on the balance sheet as fund balance.

General Fund – used to account for all financial resources, except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to general statutory laws.

Special Revenue Funds – Special Revenue Funds are used to account for the proceeds of specific revenue sources other than special assessments and expendable trusts that are legally restricted to expend funds for specified purposes. The special revenue fund revenues/resources for the Food Service Fund account for grants and other revenues raised from general food services. The special revenue fund revenues/resources for the Student Activities Fund are amounts from revenues raised from various student activities.

Debt Service Funds – Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term bond obligation principal, interest and related costs. The Bond Redemption Fund is a Debt Service Fund.

Capital Projects Funds – Capital Projects Funds are used to account for monies for major capital facilities and equipment additions. The District has one Capital Projects Fund.

*FIDUCIARY FUNDS* – those through which the District's Fiduciary (*or Agency*) activities are reported. These activities are excluded from the District's governmental funds because the District cannot use these assets to finance its operations. The Fiduciary is responsible for ensuring these assets are used for their intended purpose. The Foundation Agency Fund is a fiduciary fund.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

D. Measurement Focus and Basis of Accounting

*GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements are prepared using a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*FUND FINANCIAL STATEMENTS*

All governmental funds are accounted for using a flow of current expendable financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reflect the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide and governmental fund statements.

Like the government-wide financial statements, enterprise funds are accounted for using a flow of economic resources measurement focus. All assets and all liabilities associated with the operations are included on the statement of net position. The statement of changes in revenues, expenses, and changes in net position, presents increases (e.g., revenues) and decreases (e.g., expenses) therein. The statement of cash flows reflects how the School District finances and meets the cash flow needs of its enterprise funds.

*BASIS OF ACCOUNTING*

While the measurement focus identifies *which* transactions and events should be recorded on the financial statements, the basis of accounting determines *when* transactions and economic events are reflected in financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting.

*Exchange and Non-exchange Transactions*

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Under the modified accrual basis of accounting, revenues are recorded when they are both measurable and available (often referred to as *susceptible to accrual*). Revenues are measurable when they are subject to reasonable estimation, while the available criterion is satisfied when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The District considers revenues to be available if they are expected to be collected within 60 days of the end of the year.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, income taxes, grants, entitlements and donations. Grants, entitlements, and interest are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when the conditions of the grants are satisfied. Property tax revenues are recognized when they are levied. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Government-wide financial statements are prepared using the accrual basis of accounting.

Governmental funds and agency funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus).

**E. Budgets and Budgetary Accounting**

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by Colorado School District Budget Law for all funds of the District. The District legally adopted annual budgets for all of the District's funds.
- Prior to June 30, the budgets are adopted and appropriations made by formal resolution for the ensuing fiscal year commencing July 1. A public hearing on the proposed budget is held by the Board prior to adoption of the budget.
- Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for all funds, with the exception of current year lease-purchase proceeds (an other financing source) in the General Fund of \$..... which have been netted against capital expenditures for budgetary basis reporting.
- Expenditures may not legally exceed appropriations at the fund level. Board approval is required for changes in the total budget of any fund. Budget amounts included in the financial statements are based on the final, legally amended budget.
- Appropriations lapse at the end of each year, and the District's Board may adopt supplemental appropriations during the year. The Board legally amended the budget and adopted a supplemental appropriation of the budgeted ending fund balance during the year as reflected in the budgetary comparison schedules which are included as required and other supplemental information.
- Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation is utilized by the District for management purposes and internal budgetary control during the year, but is not used for financial reporting purposes. Encumbrances outstanding at year end are closed out and the fund balance is not reserved for any encumbrances outstanding. All appropriations lapse at year-end whether or not encumbered.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

**F. Assets, Liabilities and Fund Equity/Net Position**

- 1) Cash and Investments – The District’s policy in determining which items are treated as cash equivalents include cash, demand deposits, treasury bills and other short-term, highly liquid investments that are readily convertible to cash and have original maturities of three months or less. Investments are reported at fair value which is determined using selected bases. Short-term investments are reported at cost which approximates fair value. Securities traded on a national or international exchange are valued at the last quoted market price. Cash deposits are reported at carrying amounts which reasonably estimates fair value.
  
- 2) Interfund Assets/Liabilities – Internal balances arise from outstanding amounts due to/from the District’s various funds. Interfund balances within governmental activities are eliminated on the government-wide Statement of Net Position. As of June 30, 2018 the following were outstanding internal balances:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$ 3,562	\$ 14,321
Food Service Fund	3,240	-
Student Activities Fund	-	992
Bond Redemption Fund	-	1,569
Capital Projects Fund	5,500	-
Foundation Agency Fund	4,580	-

- 3) Property Taxes and Property Tax Revenue – Property taxes are assessed on a calendar year basis. Property taxes attach as an enforceable lien on property as of January 1. They may be paid in either one installment (no later than April 30<sup>th</sup>) or two equal installments (no later than February 28<sup>th</sup> and June 15<sup>th</sup>) without interest or penalty. Taxes that are not paid within the prescribed time bear interest at the rate of one percent (1%) per month until paid. Unpaid amounts and the accrued interest thereon become delinquent on June 16<sup>th</sup>. Property taxes are levied and collected on behalf of the District by San Juan County and are reported as revenue when received by the county treasurer.

Taxes receivable represent the 2017 assessed taxes yet to be collected in 2018. Amounts collectible subsequent to August 2018 have been accrued on the government-wide Statement of Net Position.

<u>Assessed</u>	<u>Mill</u>	<u>Amount of Taxes</u>		<u>Percent of</u>
<u>Valuation</u>	<u>Levy</u>	<u>Levied</u>	<u>Received</u>	<u>Levy Collected</u>
\$45,092,397	14.008	\$ 631,668	\$ 557,211	88%

The District considers all amounts to be materially collectible; therefore, an allowance for estimated uncollectible taxes is not considered necessary.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

F. Assets, Liabilities and Fund Equity (continued)

4) Inventory – Inventory of the District’s Food Service Fund is valued as follows: Purchased food and non-food items are valued at cost, and U.S.D.A. donated commodity items are valued at U.S.D.A. unit pricing, substantially on a first in-first out basis. Freight and delivery charges are not included in inventory valuations. The District had \$2,536 of inventories on hand at June 30, 2018.

5) Capital Assets – Capital assets purchased or acquired with an original cost in excess of the capitalization threshold of \$1,000 set by the School District are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings & Improvements	20-75 years
Equipment	3-10 years
Vehicles	10 years

6) Compensated Absences –The accrued leave policy provides for accrual of annual vacation leave which, generally, must be used by August 31 of each fiscal year. Unused vacation and personal leave is converted into additional sick leave days. Paid sick leave may be accumulated without limit at a rate of one day per working month. Paid sick leave for part-time employees is accrued and charged on a pro-rated basis. Upon termination of employment for reasons other than retirement, an employee shall be paid for unused sick days up to 90 days, at a rate based upon 50% of the average daily rate of pay for the employee during their last five years of employment times 50% of their accrued sick leave balance. An employee who is eligible for retirement in accordance with the Public Employees Retirement Association shall be paid for accrued sick leave not to exceed 120 days, but to be no less than 12 days, at a rate based upon 50% of the average daily rate of pay for the employee during their last five years of employment times 50% of accrued sick leave.

7) Accrued Liabilities and Long-term Obligations – All payables, accrued liabilities and long-term obligations are reported on the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, compensated absences that are paid from governmental funds are reported as liabilities on the fund financial statements only to the extent that they are due for payment during the current year.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

F. Assets, Liabilities and Fund Equity (continued)

7) Accrued Liabilities and Long-term Obligations – continued

*Accrued Salaries and Benefits* – Salaries of teachers and other contracted personnel are accrued as required by the Revised Financial Policies and Procedures Handbook. Teachers' salaries are typically paid over a twelve-month period but are earned over a period of approximately nine months. This results in an outstanding liability at the end of the fiscal year. Accrued salaries at June 30 were \$99,979 with the incremental change charged to expenditures.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. If applicable, bonds premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. If applicable, bond issuance and any refunding costs are reported as deferred charges and amortized over the term of the related debt

In the governmental fund financial statements, bonds are recognized as a liability on the fund financial statements when due. The face amount of debt issued is reported as other financing sources. If applicable, premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. If applicable, issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures

8) Net Position (government-wide financial statements) –

In the government-wide financial statements, net position is classified in the following categories:

*Invested in Capital Assets, Net of Related Debt* – this category groups all capital assets into one component. Accumulated depreciation and the outstanding debt balances that are attributable to (already invested in) the acquisition, construction or improvement of these assets reduce this category.

*Restricted* – assets are reported as *restricted* when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, laws of other governments, or imposed by various enabling legislation.

*Unrestricted* – represents the amount which is not restricted for any purpose. It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

F. Assets, Liabilities and Fund Equity (continued)

9) Fund Net Position (fund financial statements) –

In the fund financial statements, fund balances of governmental funds are classified in the following categories:

*Non-spendable* – amounts that cannot be spent because they are either in non-spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of permanently restricted funds to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, prepaid items, and property acquired for resale, when applicable.

*Restricted* – when constraints are placed on the use of resources either (a) externally imposed by creditors or (b) imposed by law through constitutional provisions or enabling legislation.

*Committed* – amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority (the Board of Education). These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

*Assigned* – amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by the governing body itself, or a body or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

*Unassigned* – the residual for the general fund. It is the District's policy to first apply restricted resources when an expense is incurred for which both restricted and unrestricted assets are available.

G. Deferred Outflows and Inflows of Resources

The statement of net position and fund balance sheet include separate sections for deferred outflows of resources and deferred inflows of resources, when applicable. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as revenue in future periods.

H. Unearned Revenue

When applicable, unearned revenues consist of revenue received before all eligibility requirements or allocable expenditures have been met or incurred.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*

I. 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 purposes, 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.

J. Post-Employment Benefits Other Than Pensions (OPEB)

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado (PERA). For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the HCTF administered by PERA and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

K. Contributed Capital

Grants and contributions in the enterprise fund which may be used for either operations or capital expenditures at the discretion of the District are recognized as non-operating revenues. If expenditure of funds is the prime factor for determining eligibility for contributed funds, revenue or contributed capital is recognized at the time of expenditure.

L. Inter-fund Transactions

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as inter-fund transfers. Inter-fund transfers are reported as other financing sources/uses in the governmental funds and are non-operating revenues/expenses in the enterprise funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

M. Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 2 - DEPOSITS AND INVESTMENTS*

The Board of Education recognizes the importance of prudent and profitable investment of District monies and its responsibility in overseeing finances. It is District policy to invest public funds in a manner which will ensure the safety of funds, ensure that adequate funds are available at all times to meet the financial obligations of the District when due, ensure a market rate of return on the funds available for investment throughout the budget cycle, and ensure that all funds are deposited and invested in accordance with all federal, state and local statutes governing the investment of public funds.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. The eligible depository is required to pledge to the Colorado Division of Banking a pool of collateral having a market value that at all times exceeds 102 percent of uninsured aggregate public deposits. The eligible collateral is determined by the PDPA, which includes obligations of the United States, the State of Colorado, Local Colorado governments, and obligations secured by first lien mortgages on real property located in the state. PDPA allows the institution to create a single collateral pool for all public funds. The pool is maintained by another institution or held in trust for all uninsured public deposits as a group. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

There is no custodial credit risk for public deposits collateralized under PDPA. The District's bank deposits were entirely covered by federal depository insurance (FDIC) or collateralized under PDPA in accordance with state statute, and had total bank balances of \$72,516 which were fully covered by FDIC insurance.

A summary of the Districts cash and cash equivalents (including Agency funds) follows:

Checking/Bank Deposits	\$ 72,516
Local Government Investment Pool (COLOTrust)	165,335
Investments - Money Market/CDs (Piper Jaffray)	<u>117,515</u>
Total Balances	355,366
Net Outstanding Items	<u>(10,151)</u>
Total Cash and Cash Equivalents	<u>\$ 345,215</u>

The above amount is reflected in the accompanying financial statements as follows: Governmental Activities \$217,682 and Fiduciary Activities \$127,533.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 2 - DEPOSITS AND INVESTMENTS (continued)*

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

- Obligations of the United States and certain U.S. governmental agency securities, including securities issued by FNMA (federal national mortgage association), GNMA (governmental national mortgage association), FHLMC (federal home loan mortgage corporation), the federal farm credit bank, the federal land bank, the export-import bank, and by the Tennessee Valley authority, and certain international agency securities, including the World Bank.
- General obligation and revenue bonds of U.S. local government entities, the District of Columbia, and territorial possessions of the U.S. rated in the highest two rating categories by two or more nationally recognized rating agencies.
- Bankers' acceptances of certain banks
- Certain securities lending agreements
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed Investment contracts
- Local government investment pools
- The investing local government's own securities including certificates of participation and lease obligations.

Local Government Investment Pool (COLOTrust)

As of June 30, 2018 the District had invested \$165,335 in the Colorado Local Government Liquid Asset Trust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust operates similarly to a money market fund and each share is equal in value to \$1. The Trust offers shares in two portfolios, COLOTrust PRIME and COLOTrust PLUS+. 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. 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. The custodian's internal records segregate investments owned by the Trust. Substantially all securities owned by COLOTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by COLOTrust. These pools are not required to and are not registered with the SEC. COLOTrust's funds are rated AAA by Standard and Poor's, Fitch's and Moody's rating services. As of June 30, 2018, the District had \$0 invested in COLOTrust PRIME, and \$165,335 invested in COLOTrust PLUS+. ColoTrust investments are considered cash equivalents in the District's financial statements. Investments in local government investment pools are not categorized in terms of custodial credit risk since they are not evidenced by securities that exist in physical or book entry form.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 2 - DEPOSITS AND INVESTMENTS (continued)*

Piper Jaffray Investment Portfolio

As of the fiscal year-end, the District’s Piper Jaffray investment portfolio had a total balance of \$17,424 in Money Market Funds and \$100,091 in Certificates of Deposit (including accrued interest). Piper Jaffray is a member of the Securities Investor Protection Corporation (SIPC), which protects clients of its members in liquidation up to \$500,000 (limited to \$250,000 on claims for cash). The Certificates of Deposit are covered by FDIC.

Risk Disclosures

Additional investment and deposit disclosures for credit risk, interest rate risk, and foreign currency risk, as required by GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, are included in the notes below.

To minimize custodial credit risk, or the risk that an insurer or other counterparty to an investment will not fulfill its obligations, state law limits investments to those where the issuer is rated in one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers. The District has deposits in COLOTrust Plus+ and Certificates of Deposit at Piper Jaffray with ratings as follows:

	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Agency</u>
COLOTrust Plus+	\$ 165,335	AAAm	Standard & Poors
Certificates of Deposit	\$ 100,091	Not Rated	

The concentration of credit risk, or the risk of loss attributed to the magnitude of a government’s investment in a single issuer, occurs when deposits are not diversified. The District’s policy places no limit on the amount the District may invest in any one issuer; however the District maintains general guidelines for investments to ensure proper diversification by security type and institution. All investments are issued or explicitly guaranteed by securities of the U.S. government, or insured by the Public Depository Protection Act, or are investments in mutual fund or external investment pools, and therefore are not subject to concentration of credit risk.

The District was not subject to foreign currency risk as of June 30, 2018.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The District maintains an investment policy that limits investment maturities to three years as means of managing its exposure to fair value losses arising from increasing interest rates and to avoid undue concentration in any sector of the yield curve. Exceptions to this structure may be allowed where maturities can be structured to accommodate readily identifiable cash flows. Investments subject to interest rate risk disclosures are shown below:

	<u>Fair Value</u>	<u>Accrued Interest</u>	<u>Maturity</u>
Certificate of Deposit	\$ 100,091	\$ 274	10/01/18

Additional disclosures for deposits and investments are included in *Note 1*.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 3 - FAIR VALUES OF FINANCIAL INSTRUMENTS*

The District has a number of financial instruments, including cash and equivalents, receivables, and accounts payable, none of which are held for trading purposes. The District estimates that the fair values of its financial instruments at year end does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying balance sheet.

*NOTE 4 - CAPITAL ASSETS*

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

	Balances June 30, 2017	Additions	Reclassifications Transfers and Dispositions	Balances June 30, 2018
<u>GOVERNMENTAL ACTIVITIES</u>				
Land and Improvements	\$ 890,723	\$ -	\$ -	\$ 890,723
Depreciable Capital Assets:				
Buildings and Improvements	12,284,772	16,975	-	12,301,747
Equipment and Vehicles	730,978	-	-	730,978
Food Service Equipment	8,150	-	-	8,150
Total Capital Assets	13,914,623	16,975	-	13,931,598
Less Accumulated Depreciation	<u>(2,057,775)</u>	<u>(218,984)</u>	<u>-</u>	<u>(2,276,759)</u>
 GOVERNMENTAL ACTIVITIES				
CAPITAL ASSETS, NET	<u>\$ 11,856,848</u>	<u>\$ (202,009)</u>	<u>\$ -</u>	<u>\$ 11,654,839</u>

Depreciation expense was charged to functions/programs as follows:

<u>GOVERNMENTAL ACTIVITIES</u>	
Instructional	\$ 57,315
Student Based Support Services	127
General Support Services	-
School Administrative Support Service	-
Central Support Services	2,816
Food Services	534
Unallocated Depreciation	<u>158,192</u>
Total for Governmental Activities	<u>\$ 218,984</u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

*NOTE 5 - LONG-TERM DEBT*

Changes in the District's long-term debt during the fiscal year are as follows:

GOVERNMENTAL ACTIVITIES:

	Balance at 06/30/17	Additions	Reductions	Balance at 06/30/18	Amounts Due Within One Year
General Obligation					
Best Program Bonds					
Ser 2010 B-C	\$ 886,476	\$ -	\$ (53,867)	\$ 832,609	\$ 55,934
Lease Purchase					
Obligations *	535,217	-	(38,141)	497,076	39,194
Compensated					
Absences	37,087	2,002	-	39,089	-
<b>TOTAL</b>	<u>\$ 1,458,780</u>	<u>\$ 2,002</u>	<u>\$ (92,008)</u>	<u>\$ 1,368,774</u>	<u>\$ 95,128</u>

\* the District's lease-purchase obligations are subject to annual appropriation

General obligation Best Program Matching Money Bonds Series 2011 B-C

General Obligation Bonds in the face amount of \$1,200,000 were issued March 2, 2010 to the State of Colorado as "State of Colorado BEST Program Series 2010B-C Matching Money Bonds" for the purposes approved at the District's election on November 3, 2009 which, along with financial assistance from the State of Colorado under the Building Excellent Schools Today (BEST) Act in the amount of \$9,478,924, were for the purposes of mitigating the health and safety conditions of District facilities, improving the functionality of the facilities as learning environments, and improving technology infrastructure by financing the following: renovation, repair and improvement of the District's historic 1911 school building; the renovation, repair and improvement of the District's gymnasium; improvements to the school grounds and campus site; and, to the extent funds are available after providing for the above purposes, equipping school facilities and paying ancillary project costs. The Bonds have a coupon interest rate of 3.83650266% and are payable semi-annually on June 1 and December 1, with principal due and payable on December 1, and a final maturity date of December 1, 2029.

The annual requirements to amortize the long-term debt are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 55,934	30,870	\$ 86,804
2020	58,079	28,683	86,762
2021	60,308	26,412	86,720
2022	62,621	24,054	86,675
2023	65,024	21,605	86,629
2024-2028	364,510	67,882	432,392
2029-2030	166,133	6,434	172,567
<b>TOTAL</b>	<u>\$ 832,609</u>	<u>\$ 205,940</u>	<u>\$ 1,038,549</u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2018

*NOTE 5 - LONG-TERM DEBT - continued*

Lease Purchase Obligations

The District has three lease-purchase obligations that are subject to annual appropriation:

- 1) The District entered into a land lease-purchase agreement with Citizen’s State Bank of Ouray, subject to annual appropriation with an annual cancellation provision, on February 28, 2017, for the purpose of acquiring a parcel of land to be used as a school facility. Total principal payments over the full term of the lease-purchase will be \$240,000. The lease-purchase is for 240 months at a stated interest rate of 3.30% with monthly payments of \$2,564 due and payable on the 28<sup>th</sup> of each month through June 28, 3037. Payments are made from the General Fund. The remaining annual lease payments through the term of the lease-purchase are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 16,892	13,874	\$ 30,766
2020	17,458	13,308	30,766
2021	18,043	12,723	30,766
2022	18,648	12,118	30,766
2023	19,272	11,494	30,766
2024-2028	106,491	47,339	153,830
2029-2033	125,566	28,264	153,830
Thereafter	<u>105,736</u>	<u>6,647</u>	<u>112,383</u>
<b>TOTAL</b>	<u>\$ 428,106</u>	<u>\$ 145,767</u>	<u>\$ 573,873</u>

- 2) The District entered into a five-year equipment lease-purchase agreement with AmeriCredit Financial Services, Inc., d/b/a GM Financial, subject to annual appropriation with an annual cancellation provision, on November 4, 2016 for the purpose of acquiring a 2017 Chevrolet Suburban 1 FL 4x4. Total principal payments over the full term of the lease-purchase will be \$46,021. The lease-purchase is for 5 years at an interest rate of 3.60% with annual payments of \$9,877 due and payable on November 4th of each year through November 4, 2020. Payments are made from the General Fund. The remaining annual lease payments through the term of the lease-purchase are as follows:

Fiscal Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 8,868	1,010	\$ 9,878
2020	9,192	685	9,877
2021	<u>9,528</u>	<u>349</u>	<u>9,877</u>
<b>TOTAL</b>	<u>\$ 27,588</u>	<u>\$ 2,044</u>	<u>\$ 29,632</u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 5 - LONG-TERM DEBT - continued*

*Lease Purchase Obligations - continued*

3) The District also entered into a lease-purchase agreement with with DeLage Landen Public Finance LLC, subject to annual appropriation with an annual cancellation provision, on January 3, 2017 for the purpose of acquiring a new Blue Bird Micro Bird G5-200C bus. Total principal payments over the full term of the lease-purchase will be \$69,000. The lease-purchase is for 5 years at an interest rate of 2.65% with annual payments of \$14,531 due and payable on January 3rd of each year through January 3, 2021. Payments are made from the General Fund. The remaining annual lease payments through the term of the lease-purchase are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total
2019	\$ 13,435	1,096	\$ 14,531
2020	13,791	740	14,531
2021	14,156	375	14,531
TOTAL	<u>\$ 41,382</u>	<u>\$ 2,211</u>	<u>\$ 43,593</u>

*NOTE 6 - COMMITMENTS*

Operating Leases - The District leases office equipment under two operating lease agreements subject to annual appropriation with an annual cancellation provision, at a combined base rate of \$540 per month, or \$6,480 per annum.

*NOTE 7 - DEFINED BENEFIT PENSION PLAN*

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

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 the Colorado Public Employees' Retirement Association (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 (CAFR) that can be obtained at: [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 7 - DEFINED BENEFIT PENSION PLAN (continued)*

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% match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

*It is possible for employees participating in the SCHDTF to have earned service credit under the Denver Public Schools (DPS) Benefit Structure while working for a previous employer; therefore the DPS Benefit Structure is shown below, where the lifetime retirement benefit for all eligible retiring employees under the DPS Benefit Structure is the greater of the:*

- *Highest average salary multiplied by 2.5 percent and the 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% of the highest average salary and cannot exceed the maximum benefit allowed by the 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 benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

*NOTE 7 - DEFINED BENEFIT PENSION PLAN - continued*

Benefits Provided - continued

Disability benefits are available for eligible employees once they reach 5 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 show 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% of their PERA-includable salary. The employer contribution requirements are summarized below:

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

*Note: Rates are expressed as a percentage of salary as defined in C.R.S. Sec 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 \$165,141 during the year ended June 30, 2018.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 8 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS*

At June 30, 2018, the District reported a liability of \$5,614,114 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.0173615666% which was an decrease of 0.0003083433% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,100,692. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 103,220	\$ -
Changes of assumptions or other inputs	1,433,492	9,097
Net difference between projected and actual earnings on pension plan investments	-	220,471
Changes in proportion and differences between contributions recognized and proportionate share of contributions	306	50,626
Contributions subsequent to the measurement date	87,577	-
<b>TOTAL</b>	<b>\$ 1,624,595</b>	<b>\$ 280,194</b>

The amount of \$87,577 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions for changes in proportion and differences between contributions recognized and proportionate share of contributions will be recognized in pension expenses as follows:

<u>Year Ended June 30,</u>	<u>Outflows</u>	<u>Inflows</u>
2019	\$ 165	\$ 28,172
2020	107	15,456
2021	34	6,998
2022	-	-
2023	-	-
Thereafter	-	-

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 8 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued*

Actuarial Assumptions

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

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

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

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

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

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

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

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

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 8 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued*

Actuarial Assumptions - continued

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

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

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

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

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%.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

NOTE 8 -

PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS  
- continued

Actuarial Assumptions - continued

Discount Rate

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

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

Based on the above actuarial cost method and assumptions, 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 Board of Governors of the Federal Reserve System, 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.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 8 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS - continued*

Actuarial Assumptions - continued

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:

Sensitivity of the Net Pension Liability	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	\$7,091,580	\$5,614,114	\$4,410,147

Pension Plan Fiduciary Net Position

Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200, *Concerning Modifications to the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to 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 the 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 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.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 8 - PENSION LIABILITIES, PENSION EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS*  
*- continued*

At June 30, 2018, the District reported a liability of \$5,614,114 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
<hr/> 7.25%	<hr/> \$ 2,536,407

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 \$2,620,704 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

*NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN: Voluntary Investment Program*

Plan Description

Employees of the District that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan 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 currently has no matching contributions for covered salary as determined by the Internal Revenue Service. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018 program members contributed \$20,988.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 10 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN*

General Information about the OPEB Plan

Eligible employees of the District are provided with OPEB through the Health Care Trust Fund (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 administration of the premium subsidies. 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 on the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of 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.

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 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.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 10 - DEFINED BENEFIT OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN - continued*

PERA Benefit Structure - continued

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

*It is possible for employees to have earned service credit under the Denver Public Schools (DPS) Benefit Structure while working for a previous employer. Under the 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 each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount. For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.*

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$8,916 for the year ended June 30, 2018.

*NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB*

At June 30, 2018, the District reported a liability of \$128,203 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on 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 0.0098647890%, which was a decrease of 0.0001790074% from its proportion measured at December 31, 2016.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued*

For the year ended June 30, 2018, the District recognized OPEB expense of \$9,652. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 606	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	2,145
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,962
Contributions subsequent to the measurement date	4,669	-
<b>TOTAL</b>	<b>\$ 5,275</b>	<b>\$ 4,107</b>

The amount of \$4,669 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	<u>Outflows</u>	<u>Inflows</u>
2019	\$ -	\$ 385
2020	-	385
2021	-	386
2022	-	385
2023	-	385
Thereafter	-	36

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
DPS PERACare Medicare plans & Medicare Part A premiums	N/A

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued*

Actuarial Assumptions - 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 of costs between employers of each fund to that point.

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

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

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

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

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

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

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

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued**

Actuarial Assumptions - continued

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

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

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

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

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

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued*

Actuarial Assumptions - continued

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

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

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

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

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

Sensitivity of the District’s Proportionate Share of the net OPEB Liability to Changes in the Health Care Cost Trend Rates

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

<i>Sensitivity of the Net OPEB Liability to Changes in Health Care Cost Trend Rates</i>	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00 %	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$124,675	\$128,203	\$132,451

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 11 - OPEB LIABILITIES, OPEB EXPENSE, AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB - continued*

Discount Rate

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

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

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

Sensitivity of the District’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

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

<i>Sensitivity of the Net OPEB Liability To Changes in the Discount Rate</i>	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$144,140	\$128,203	\$114,600

OPEB Plan Fiduciary Net Position

Detailed information about the HCTF’s fiduciary net position is available in PERA’s comprehensive annual financial report at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 12 - RISK MANAGEMENT*

The District is exposed to various risks of loss related to torts; thefts of, damage to, or destruction of assets; errors and omissions; injuries to employees; or acts of God. The District is a member of the Colorado School Districts Self-Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program with member school districts, boards of cooperative educational services and charter schools.

The District pays an annual premium to the Pool for its property, casualty and liability insurance coverage. The Pool has reinsurance coverage for its property, automobile and general liability policies, errors and omissions and employment practices liability policies, referred to as school entity liability. The District carries commercial insurance for other risks of loss, including workers compensation and employee health insurance. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

In the ordinary course of operations, the District can be involved in various litigation. In the opinion of management, any liability from claims or proceedings in excess of the amount covered by insurance would not have a material adverse effect on the District's net position, changes in position or cash flows.

*NOTE 13 - CONTINGENCIES*

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017 the District was not aware of any amounts to be refunded to the Colorado Department of Education. The District believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the District.

*NOTE 14 - JOINTLY GOVERNED ORGANIZATION*

The District is a member of the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a jointly governed organization of five regional school districts, with each member district appointing a member to the BOCES board of directors whom are in control of budgeting and finance. The BOCES does not meet the criteria for inclusion within the reporting entity of the District due to the lack of an ongoing financial interest. The financial statements for the San Juan Board of Cooperative Educational Services can be obtained by contacting them via their website: [www.sjboces.org](http://www.sjboces.org).

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 15 - FOUNDATION AGENCY FUND BUDGET AND ACTUAL*

The District prepares a budget for the Foundation Agency Fund; however, there is not a Statement of Revenues, Expenditures and Changes in Fund Balance because Agency Funds do not recognize revenues, expenditures or fund balance in accordance with GAAP. Budget and actual amounts for the Foundation Agency Fund are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Beginning Agency deposits	\$ 129,847	\$ 125,267	\$ (4,580)
Receipts	2,500	4,266	1,766
Disbursements	<u>(132,347)</u>	<u>(2,000)</u>	130,347
Ending Agency Deposits	<u>\$ -</u>	<u>\$ 127,533</u>	<u>\$ 127,533</u>

*NOTE 16 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*

A. General Compliance Requirements

The District appears to be in compliance with material legal, contractual and accounting provisions, as prescribed by Federal and State laws and statutes

B. TABOR Amendment – Tax, Spending and Debt Limitations

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all Colorado local governments. The initial base for local government spending and revenue limits was June 30, 1993 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires, with certain exceptions, voter approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government. Except for bond refinancing at a lower interest rate or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments. In November 1998 the District's electorate passed a ballot issue allowing the District to collect, retain and expend revenues not withstanding any of TABOR'S limitations.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service and expenditures of Federal Awards). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. The total emergency reserve was \$46,000 as of June 30, 2018.

The District's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation.

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

*NOTE 17 - RESTATEMENT OF NET ASSETS*

For the year Ended June 30, 2018, the District has adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other Than Pensions* (GASB No. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide post-employment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the District, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard results in a restatement of prior period government-wide net position as shown below:

Net Position at June 30, 2017 as Previously Reported	\$ 7,513,685
Cumulative Effect of GASB No 75 Net OPEB Liability	<u>(126,299)</u>
Net Position at June 30, 2017 as Restated	<u>\$ 7,387,386</u>

*NOTE 18- SUBSEQUENT EVENTS*

Management of the District has evaluated events subsequent to June 30, 2018 through the issuance date of this report. The following subsequent events are considered material to the financial statements taken as a whole:

- 1) 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 including an estimate of the impact on the District's share of the net pension liability if SB-200 had been enacted on December 31, 2017 are included in Note 8.
- 2) Subsequent to year-end, the District received 21<sup>st</sup> Century Community Learning Center Federal Grant Funding in the amount of \$175,000 for the fiscal year ending June 30, 2019.

There has been no other material event noted during this period that would either impact the results reflected in this report or the District's results going forward.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISON SCHEDULES FOR THE  
GENERAL FUND AND SPECIAL REVENUE FUNDS

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2018

	GENERAL FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local Sources:				
General Property Taxes	\$ 464,424	\$ 496,938	\$ 505,778	\$ 8,840
Specific Ownership Taxes	38,951	34,543	47,333	12,790
Grants and Contributions	10,000	110,724	91,903	(18,821)
Interest and Other Revenues	43,200	49,200	32,477	(16,723)
Intergovernmental:				
Local Government Sources	10,500	40,500	40,763	263
State Sources	842,511	776,368	715,402	(60,966)
Federal Sources	63,948	44,425	44,829	404
Total Revenues	<u>1,473,534</u>	<u>1,552,698</u>	<u>1,478,485</u>	<u>(74,213)</u>
<b>EXPENDITURES:</b>				
Instruction	893,669	883,894	890,867	(6,973)
Supporting Services:				
General	261,994	392,895	374,951	17,944
Business	261,528	230,315	267,677	(37,392)
Central	41,913	33,913	35,595	(1,682)
Enterprise	-	9,000	7,840	1,160
Community Services	38,124	66,488	47,792	18,696
Other	15,806	15,086	14,586	500
Debt Service				
Principal	38,140	38,140	38,140	-
Interest	22,860	22,360	17,034	5,326
Appropriated Reserves	35,000	50,000	-	50,000
Total Expenditures	<u>1,609,034</u>	<u>1,742,091</u>	<u>1,694,482</u>	<u>47,609</u>
Excess of Revenues Over (Under) Expenditures	(135,500)	(189,393)	(215,997)	(26,604)
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	15,000	76,500	(33,494)	(109,994)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(120,500)	(112,893)	(249,491)	(136,598)
FUND BALANCE – BEGINNING	<u>338,905</u>	<u>269,393</u>	<u>269,393</u>	<u>-</u>
FUND BALANCE – ENDING	<u>\$ 218,405</u>	<u>\$ 156,500</u>	<u>\$ 19,902</u>	<u>\$ (136,598)</u>

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND – FOOD SERVICE FUND**  
For the Fiscal Year Ended June 30, 2018

	FOOD SERVICE (Special Revenue) FUND			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>				
Local Sources:				
Charges for Services	\$ -	\$ 6,500	\$ 319	\$ (6,181)
Interest and Other Revenues	23,128	7,250	212	(7,038)
Intergovernmental:				
Local Government Sources	-	-	-	-
State Sources	-	8,750	394	(8,356)
Federal Sources	-	2,500	9,471	6,971
Total Revenues	<u>23,128</u>	<u>25,000</u>	<u>10,396</u>	<u>(14,604)</u>
<b>EXPENDITURES:</b>				
Food Services:				
Salaries	25,000	25,000	25,008	(8)
Employee Benefits	13,128	12,745	12,550	195
Purchased Services	-	75	74	1
Supplies and Materials:				
Purchased Food	15,000	28,752	8,787	19,965
Donated Commodities	-	-	-	-
Total Expenditures	<u>53,128</u>	<u>66,572</u>	<u>46,419</u>	<u>20,153</u>
Excess of Revenues Over (Under) Expenditures	(30,000)	(41,572)	(36,023)	5,549
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating Transfers In (Out)	<u>30,000</u>	<u>34,000</u>	<u>33,494</u>	<u>(506)</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	-	(7,572)	(2,529)	5,043
FUND BALANCE – BEGINNING	<u>-</u>	<u>10,108</u>	<u>10,108</u>	<u>-</u>
FUND BALANCE – ENDING	<u>\$ -</u>	<u>\$ 2,536</u>	<u>\$ 7,579</u>	<u>\$ 5,043</u>

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND – STUDENT ACTIVITY FUND**  
For the Fiscal Year Ended June 30, 2018

	STUDENT ACTIVITY FUND			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES:				
Charges for Services	\$ -	\$ 55,000	\$ 66,806	\$ 11,806
Interest and Other Revenues	250	250	72	(178)
Total Revenues	<u>250</u>	<u>55,250</u>	<u>66,878</u>	<u>11,628</u>
EXPENDITURES:				
Student Activities	<u>75,250</u>	<u>82,890</u>	<u>58,732</u>	<u>24,158</u>
Total Expenditures	<u>75,250</u>	<u>82,890</u>	<u>58,732</u>	<u>24,158</u>
Excess of Revenues Over (Under) Expenditures	(75,000)	(27,640)	8,146	35,786
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(25,000)	(27,640)	8,146	35,786
FUND BALANCE – BEGINNING	<u>25,000</u>	<u>27,640</u>	<u>27,640</u>	<u>-</u>
FUND BALANCE – ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,786</u>	<u>\$ 35,786</u>

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

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

AND

SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

<u>Colorado PERA:</u>	<u>Reporting Fiscal Year / (Measurement Date)</u>			
	<u>2018 / (2017)</u>	<u>2017 / (2016)</u>	<u>2016 / (2015)</u>	<u>2015 / (2014)</u>
District's proportion of the Net Pension Liability	0.0173615666%	0.0176699099%	0.0175847469%	0.0182091388 %
District's proportionate share of the Net Pension Liability	\$ 5,614,114	\$ 5,261,015	\$ 2,689,463	\$ 2,467,950
District's covered-employee payroll	\$ 873,144	\$ 799,531	\$ 755,526	\$ 773,127
District's proportionate share of the Net Pension Liability as a percentage of its covered employee payroll	643%	658%	356%	319%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%	62.84%

*NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.*

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS**  
**JUNE 30, 2018**

	<u>Reporting Fiscal Year</u>			
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Colorado PERA:</u>				
Statutorily Required Contribution	\$ 165,141	\$ 146,877	\$ 133,957	\$ 130,525
District Contributions in relation to the statutorily required contribution	<u>165,141</u>	<u>146,877</u>	<u>133,957</u>	<u>130,525</u>
District contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 874,144	\$ 799,531	\$ 755,526	\$ 773,127
District's contributions as a percentage of covered-employee payroll	18.89%	18.37%	17.73%	16.88%

*NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.*

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

AND

SCHEDULE OF THE DISTRICT'S PERA COLORADO HEALTH CARE TRUST FUND CONTRIBUTIONS

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY**  
**JUNE 30, 2018**

<u>Colorado PERA HCTF:</u>	<u>Reporting Fiscal Year / (Measurement Date)</u>	
	<u>2018 / (2017)</u>	<u>2017 / (2016)</u>
District's proportion of the Net OPEB Liability	0.0098647890%	0.0100437964%
District's proportionate share of the Net OPEB Liability	\$ 128,203	\$ 130,221
District's covered-employee payroll	\$ 874,144	\$ 874,144
District's proportionate share of the Net OPEB Liability as a percentage of its covered employee payroll	14.67%	14.90%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

*NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.*

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

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF THE DISTRICT'S PERA COLORADO HEALTH CARE TRUST FUND CONTRIBUTIONS**  
**JUNE 30, 2018**

	Reporting Fiscal Year	
	2018	2017
<u>Colorado PERA:</u>		
Contractually Required Contribution	\$ 8,916	\$ 8,155
District Contributions in relation to the contractually required contribution	8,916	8,155
District contribution deficiency (excess)	\$ -	\$ -
 District's covered-employee payroll	 \$ 874,144	 \$ 799,531
District's contributions as a percentage of covered-employee payroll	1.02%	1.02%

*NOTE: This schedule is presented to illustrate the requirement to show information for 10 years; however, until a full 10-year trend is compiled, the District is presenting information for those years for which information is available.*

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

OTHER SUPPLEMENTAL INFORMATION

*GENERAL FUND*

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES AND OTHER FINANCING SOURCES:</b>			
Revenue from Local Sources:			
General Property Taxes	\$ 496,938	\$ 505,778	\$ 8,840
Specific Ownership Taxes	34,543	47,333	12,790
Local Grants and Contributions	110,724	91,903	(18,821)
Interest & Other Revenues	49,200	32,477	(16,723)
Total Revenue from Local Sources	<u>691,405</u>	<u>677,491</u>	<u>(13,914)</u>
Revenue from Intermediate Sources:			
Mineral and Forest Leasing	40,500	40,763	263
Total Revenue from Intermediate Sources	<u>40,500</u>	<u>40,763</u>	<u>263</u>
Revenue from State Sources:			
State Equalization	588,009	560,454	(27,555)
Grants and Contributions	188,359	154,948	(33,411)
Total Revenue from State Sources	<u>776,368</u>	<u>715,402</u>	<u>(60,966)</u>
Revenue from Federal Sources:			
Title I	19,875	19,882	7
Title II-A	3,550	3,551	1
Title III	-	306	306
Title IV-A	-	10,000	10,000
Title V-B	-	90	90
Title VI-B	10,000	-	(10,000)
Temporary Assist for Needy Families (TANF)	11,000	11,000	-
Total Revenue from Federal Sources	<u>44,425</u>	<u>44,829</u>	<u>404</u>
TRANSFERS IN	<u>76,500</u>	<u>-</u>	<u>(76,500)</u>
<b>TOTAL REVENUES AND OTHER FINANCING SOURCES</b>	<u><u>\$ 1,629,198</u></u>	<u><u>\$ 1,478,485</u></u>	<u><u>\$ (150,713)</u></u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENDITURES AND OTHER FINANCING USES:</b>			
<i>INSTRUCTION:</i>			
Salaries	\$ 498,041	\$ 535,160	\$ (37,119)
Employee Benefits	182,159	175,593	6,566
Purchased Services	170,866	155,527	15,339
Supplies and Materials	21,499	14,931	6,568
Capital Outlay	8,250	6,274	1,976
Other Expenditures	3,079	3,382	(303)
<i>TOTAL INSTRUCTION</i>	883,894	890,867	(6,973)
<i>GENERAL SUPPORT SERVICES:</i>			
Students:			
Salaries	9,750	3,393	6,357
Employee Benefits	2,081	717	1,364
Purchased Services	4,269	2,648	1,621
Supplies and Materials	800	936	(136)
Capital Outlay	800	219	581
Subtotal	17,700	7,913	9,787
Instructional Staff:			
Salaries	67,925	58,013	9,912
Employee Benefits	18,939	17,270	1,669
Purchased Services	38,376	20,526	17,850
Supplies and Materials	13,339	21,496	(8,157)
Capital Outlay	3,732	2,704	1,028
Other Expenditures	2,000	1,975	25
Subtotal	144,311	121,984	22,327
General Administration:			
Salaries	88,000	106,500	(18,500)
Employee Benefits	29,394	32,131	(2,737)
Purchased Services	45,764	38,986	6,778
Supplies and Materials	3,250	852	2,398
Other Expenditures	2,500	5,435	(2,935)
Subtotal	168,908	183,904	(14,996)
School Administration:			
Salaries	40,690	40,690	-
Employee Benefits	16,164	15,871	293
Purchased Services	122	121	1
Supplies	-	344	(344)
Other Expenditures	5,000	4,124	876
Subtotal	61,976	61,150	826
<i>TOTAL GENERAL SUPPORT</i>	\$ 392,895	\$ 374,951	\$ 17,944

(continued on next page)

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING USES – BUDGET AND ACTUAL**  
**GENERAL FUND**  
For the Fiscal Year Ended June 30, 2018

	Budget	Actual	Variance Favorable (Unfavorable)
<i>BUSINESS SUPPORT SERVICES:</i>			
Business Support Services:			
Salaries	\$ 60,000	\$ 60,225	\$ (225)
Employee Benefits	23,584	23,042	542
Purchased Services	180	176	4
Subtotal	83,764	83,443	321
Operation and Maintenance:			
Salaries	43,760	42,141	1,619
Employee Benefits	16,808	14,272	2,536
Purchased Services	23,483	33,237	(9,754)
Supplies and Materials	50,000	81,533	(31,533)
Subtotal	134,051	171,183	(37,132)
Student Transportation:			
Purchased Services	7,500	6,445	1,055
Supplies and Materials	5,000	6,606	(1,606)
Subtotal	12,500	13,051	(551)
<i>TOTAL BUSINESS SUPPORT</i>	<i>230,315</i>	<i>267,677</i>	<i>(37,362)</i>
<i>CENTRAL SUPPORT SERVICES:</i>			
Purchased Services	33,913	35,595	(1,682)
<i>TOTAL CENTRAL SUPPORT</i>	<i>33,913</i>	<i>35,595</i>	<i>(1,682)</i>
<i>ENTERPRISE SUPPORT SERVICES:</i>			
Purchased Services	9,000	7,840	1,160
<i>TOTAL ENTERPRISE SUPPORT</i>	<i>9,000</i>	<i>7,840</i>	<i>1,160</i>
<i>COMMUNITY SUPPORT SERVICES:</i>			
Salaries	16,000	9,062	6,938
Employee Benefits	3,416	1,554	1,862
Purchased Services	1,848	22	1,826
Supplies	2,100	36,859	(34,759)
Capital Outlay	-	295	(295)
Other	43,124	-	43,124
<i>TOTAL COMMUNITY SUPPORT</i>	<i>66,488</i>	<i>47,792</i>	<i>18,696</i>
<i>OTHER SUPPORT SERVICES:</i>			
Purchased Services	15,086	14,586	500
<i>TOTAL OTHER SUPPORT</i>	<i>15,086</i>	<i>14,586</i>	<i>500</i>
<i>DEBT SERVICE:</i>			
Principal	38,140	38,140	-
Interest	22,360	17,034	5,326
<i>TOTAL DEBT SERVICE</i>	<i>60,500</i>	<i>55,174</i>	<i>5,326</i>
<i>APPROPRIATED RESERVES</i>	<i>50,000</i>	<i>-</i>	<i>50,000</i>
<i>OTHER FINANCING USES – Transfers Out</i>	<i>-</i>	<i>33,494</i>	<i>(33,494)</i>
<b>TOTAL EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ 1,742,091</b>	<b>\$ 1,727,976</b>	<b>\$ 14,115</b>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**COMBINING BALANCE SHEET**  
**GENERAL FUND (FUND 10: GENERAL AND FUND 19: PRESCHOOL FUND)**  
**For the Fiscal Year Ended June 30, 2018**

	<u>GENERAL (FUND 10)</u>	<u>PRESCHOOL (FUND 19)</u>	<u>TOTAL GENERAL FUND</u>
<b>ASSETS:</b>			
Cash and Cash Equivalents	\$ 88,645	\$ -	\$ 88,645
Receivables:			
Taxes	35,940	-	35,940
County Treasurer	43,581	-	43,581
Intergovernmental Grants	12,660	-	12,660
Other	7,879	-	7,879
Prepaid Expenses	4,741	-	4,741
Due from Other Funds	<u>2,562</u>	<u>1,000</u>	<u>3,562</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 196,008</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 197,008</u></u>
<b>LIABILITIES AND FUND BALANCES:</b>			
Liabilities:			
Accounts Payable	\$ 28,333	\$ -	\$ 28,333
Accrued Salaries and Benefits	99,979	-	99,979
Due to Other Funds	14,321	-	14,321
Unearned Revenue	<u>34,473</u>	<u>-</u>	<u>34,473</u>
<b>Total Liabilities</b>	<u>177,106</u>	<u>-</u>	<u>177,106</u>
Fund Balances:			
Non-spendable	4,741	-	4,741
Reserved for Emergencies	46,000	-	46,000
Unreserved	<u>(31,839)</u>	<u>1,000</u>	<u>(30,839)</u>
<b>Total Fund Balances</b>	<u>18,902</u>	<u>1,000</u>	<u>19,902</u>
<b>TOTAL LIABILITIES AND     FUND BALANCES</b>	<u><u>\$ 196,008</u></u>	<u><u>\$ 1,000</u></u>	<u><u>\$ 197,008</u></u>

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**GENERAL FUND (FUND 10: GENERAL AND FUND 19: PRESCHOOL FUND)**  
**For the Year Ended June 30, 2018**

	<u>GENERAL (FUND 10)</u>	<u>PRESCHOOL (FUND 19)</u>	<u>TOTAL GENERAL FUND</u>
<b>REVENUES:</b>			
Local Sources	\$ 677,491	\$ -	\$ 677,491
Intermediate Sources	40,763	-	40,763
State Sources	715,402	-	715,402
Federal Sources	<u>44,829</u>	<u>-</u>	<u>44,829</u>
Total Revenues	<u>1,478,485</u>	<u>-</u>	<u>1,478,485</u>
<b>EXPENDITURES:</b>			
Instructional	841,943	48,924	890,867
Supporting Services:			
General	374,951	-	374,951
Business	267,677	-	267,677
Central	35,595	-	35,595
Enterprise Support	7,840	-	7,840
Community Services	47,792	-	47,792
Other	14,586	-	14,586
Debt Service:			
Principal	38,140	-	38,140
Interest	<u>17,034</u>	<u>-</u>	<u>17,034</u>
Total Expenditures	<u>1,645,558</u>	<u>48,924</u>	<u>1,694,482</u>
Excess of Revenues Over (Under) Expenditures	(167,073)	(48,924)	(215,997)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers In (Out)	<u>(82,418)</u>	<u>48,924</u>	<u>(33,494)</u>
Excess of Revenues and Other Financings Sources Over (Under) Expenditures and Other Financing (Uses)	(249,491)	-	(249,491)
FUND BALANCES – Beginning	<u>268,393</u>	<u>1,000</u>	<u>269,393</u>
FUND BALANCES – Ending	<u>\$ 18,902</u>	<u>\$ 1,000</u>	<u>\$ 19,902</u>

OTHER SUPPLEMENTAL INFORMATION

*BOND REDEMPTION (DEBT SERVICE) FUND*

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**BOND REDEMPTION FUND**  
For the Fiscal Year Ended June 30, 2018

	BOND REDEMPTION FUND			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES:				
Local Sources:				
Property Taxes	\$ 102,008	\$ 115,000	\$ 112,062	\$ (2,938)
Interest and Other Revenues	200	200	681	481
Total Revenues	<u>102,208</u>	<u>115,200</u>	<u>112,743</u>	<u>(2,457)</u>
EXPENDITURES:				
Debt Service:				
Principal	-	-	53,867	(53,867)
Interest	-	-	32,977	(32,977)
Appropriated Reserves	<u>127,008</u>	<u>179,305</u>	<u>-</u>	<u>179,305</u>
Total Expenditures	<u>127,008</u>	<u>179,305</u>	<u>86,844</u>	<u>92,461</u>
Excess of Revenues Over (Under) Expenditures	(24,800)	(64,105)	25,899	90,004
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	<u>(200)</u>	<u>(200)</u>	<u>-</u>	<u>200</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(25,000)	(64,305)	25,899	90,204
FUND BALANCE – BEGINNING	<u>25,000</u>	<u>64,305</u>	<u>64,305</u>	<u>-</u>
FUND BALANCE – ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 90,204</u>	<u>\$ 90,204</u>

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

OTHER SUPPLEMENTAL INFORMATION

*CAPITAL PROJECTS FUND*

**SAN JUAN COUNTY (SILVERTON) SCHOOL DISTRICT NO. 1**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE – BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
For the Fiscal Year Ended June 30, 2018

	CAPITAL PROJECTS FUND			Variance Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
REVENUES:				
Interest and Investment Earnings	\$ 100	\$ 150	\$ 244	\$ 94
State and Local Grants	-	-	-	-
Total Revenues	100	150	244	94
EXPENDITURES:				
Supporting Services:				
Other Support Services	20,100	21,357	-	21,357
Appropriated Reserves	-	-	-	-
Total Expenditures	20,100	21,357	-	21,357
Excess of Revenues Over (Under) Expenditures	(20,000)	(21,207)	244	21,451
OTHER FINANCING SOURCES (USES):				
Operating Transfers In (Out)	5,000	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(15,000)	(21,207)	244	21,451
FUND BALANCE – BEGINNING	15,000	21,207	21,207	-
FUND BALANCE – ENDING	\$ -	\$ -	\$ 21,451	\$ 21,451

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

COLORADO DEPARTMENT OF EDUCATION REQUIREMENTS

ELECTRONIC FINANCIAL DATA  
INTEGRITY CHECK FIGURES

AND

BOLDED BALANCE SHEET REPORT



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2820 - SILVERTON 1  
 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
	+		-	=
<b>Governmental</b>				
10 General Fund	268,393	1,396,068	1,645,558	18,902
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	1,000	48,924	48,924	1,000
Sub- Total	269,393	1,444,992	1,694,482	19,902
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	10,108	43,889	46,419	7,579
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	27,641	66,878	58,733	35,786
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	64,305	112,743	86,843	90,204
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	21,207	244	0	21,451
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>392,654</b>	<b>1,668,746</b>	<b>1,886,477</b>	<b>174,923</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	125,847	6,266	0	132,113
<b>Totals</b>	<b>125,847</b>	<b>6,266</b>	<b>0</b>	<b>132,113</b>



**Colorado Department of Education**  
**Bolded Balance Sheet Report**  
 District: 2820 - SILVERTON 1  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary					Fiduciary			Totals
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	
Cash and Investments (8100-8104,8111)	88,645	0	0	36,778	0	1,803	74,505	15,951	0	0	0	0	0	127,533	345,215
Cash with Fiscal Agent (8105)	43,582	0	0	0	0	0	9,186	0	0	0	0	0	0	0	52,768
Taxes Receivable (8121,8122)	35,940	0	0	0	0	0	0	0	0	0	0	0	0	0	35,940
Interfund Loans Receivable (8131,8132)	2,561	0	1,000	0	0	3,241	0	5,500	0	0	0	0	0	4,580	16,882
Grants Accounts Receivable (8142)	12,661	0	0	0	0	0	0	0	0	0	0	0	0	0	12,661
Other Receivables (8151-8154,8161)	7,879	0	0	0	0	0	8,082	0	0	0	0	0	0	0	15,961
Inventories (8171,8172,8173)	0	0	0	0	0	2,536	0	0	0	0	0	0	0	0	2,536
Prepaid Expenses 8181,8182)	4,741	0	0	0	0	0	0	0	0	0	0	0	0	0	4,741
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>196,008</b>	<b>0</b>	<b>1,000</b>	<b>36,778</b>	<b>0</b>	<b>7,579</b>	<b>91,774</b>	<b>21,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,113</b>	<b>486,703</b>

	Governmental						Proprietary					Fiduciary			
<b>LIABILITIES &amp; FUND EQUITY</b>															
<b>LIABILITIES</b>	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Interfund Payables (7401,7402)	14,321	0	0	992	0	0	1,569	0	0	0	0	0	0	0	16,882
Other Payables (7421-7423)	28,334	0	0	0	0	0	0	0	0	0	0	0	0	0	28,334
Accrued Expenses (7461)	99,979	0	0	0	0	0	0	0	0	0	0	0	0	0	99,979
Grants Deferred Revenue (7482)	34,473	0	0	0	0	0	0	0	0	0	0	0	0	0	34,473
<b>Total Liabilities</b>	<b>177,106</b>	<b>0</b>	<b>0</b>	<b>992</b>	<b>0</b>	<b>0</b>	<b>1,569</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>179,667</b>

FUND EQUITY	Governmental						Proprietary					Fiduciary			Totals	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85		
Non-spendable Fund Balance 6710	4,741	0	0	0	0	2,536	0	0	0	0	0	0	0	0	0	7,277
Restricted Fund Balance 6720	0	0	0	0	0	0	90,204	0	0	0	0	0	0	0	0	90,204
TABOR 3% Emergency Reserve 6721	46,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	46,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	35,786	0	5,043	0	21,451	0	0	0	0	0	0	0	62,280
Unassigned Fund Balance 6770	-31,838	0	1,000	0	0	0	0	0	0	0	0	0	0	0	132,113	101,275
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>18,902</b>	<b>0</b>	<b>1,000</b>	<b>35,786</b>	<b>0</b>	<b>7,579</b>	<b>90,204</b>	<b>21,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,113</b>	<b>307,036</b>
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
<b>Total Liabilities &amp; Fund Equity</b>	<b>196,008</b>	<b>0</b>	<b>1,000</b>	<b>36,778</b>	<b>0</b>	<b>7,579</b>	<b>91,774</b>	<b>21,451</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>132,113</b>	<b>486,703</b>
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85		
<b>For Each Fund Type: Do Assets=Liability+Fund Equity</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	<b>Yes</b>	