Weld County School District RE-1

Financial Statements and Supplementary Information
For the Year Ended June 30, 2018

ACM

Weld County School District RE-1

Contents

Independent Auditor's Report

Board of Education
Weld County School District RE-1
Gilcrest, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Weld County School District RE-1 (the "District"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Weld County School District RE-1 as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the District has changed its method for accounting and reporting for post employment benefits other than pensions during 2018 due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application resulting in a $1,998,322 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 15, budgetary comparison information on page 56, and pension and other post employment benefit related schedules on pages 57 though 62 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The budgetary comparison schedules and Auditor's Integrity Report on pages 62 through 66 and statistical section on pages 67 through 70 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison schedules and Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The budgetary comparison schedules and Auditor's Integrity Report have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and Auditor's Integrity Report are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

ACM LLP

Greeley, Colorado
February 8, 2019

Weld County School District RE-1
Management's Discussion and Analysis
For the Year Ended June 30, 2018

This section of the Weld County School District RE-1's (the "District") annual financial report offers readers of the District's financial statements management's discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Financial Highlights

- Governmental activities total assets totaled $115,568,122 in cash, investments and other assets. Liabilities for governmental activities totaled $163,796,306.

- General revenues account for approximately $31.4 million, or 98 percent of all revenues as compared to $25.8 million, or 96 percent of all revenue during fiscal year 2017. Program specific revenues in the form of charges for services and operating grants and contributions accounted for $800 thousand, or 2 percent of total revenues of $32.1 million versus $1.2 Million, or 4 percent of total revenue during fiscal year 2017.

- The net position of governmental activities decreased to $(25,826,560) in 2018 compared to $(15,860,071) in 2017.

- The District had $40.1 million in expenses related to governmental activities compared to $36.6 million during fiscal year 2017; $800 thousand of these expenses were offset by program specific charges for services as compared to $1.2 million during the prior year. General revenues, primarily state equalization payments and property taxes, of 31.4 million during the current year plus carryover funds from prior years, were adequate to provide for these programs.

- The General Fund, had $24.4 million and $19.7 million in revenues during fiscal years ending June 30, 2018 and 2017, and $20.1 million and $19.7 million in expenditures during those same two years. The General Fund's fund balance increased by $3.9 million to $9.6 million during 2018.

- The statement of net position reflects the changes in regards to the implementation of GASB 68 (pension liability). Due to this change, net position of governmental activities beginning balance was adjusted from last years' ending balance. The District has complied with the required posting of the liability, but as this liability falls under PERA (Colorado Public Employees' Retirement Association), the District's responsibility to pay the liability is on its actual payroll as expenses are incurred.

- During 2018 the District implemented GASB 75 which relates to other post employment benefits (OPEB). In the 2018 fiscal year financial statements, changes in the net OPEB liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing OPEB plan amounted to $62 thousand. Inclusion of these figures in the government-wide financial statements does not indicate that the District has a liability to pay the amounts shown. The District's liability is limited to the annually required contributions established by the Colorado State Legislature.

Overview of the Financial Statements

This annual financial report consists of three parts: management's discussion and analysis, the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government-wide statements.
    - The governmental fund statements tell how basic services, such as instruction, were financed in the short-term, as well as what remains for future spending.
    - Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year. This section also includes any Colorado mandated reports.

Below is a detailed diagram showing how the various parts of this annual report are arranged and relate to one another.

Table 1
Organization of Weld County School Districts Annual Financial Report

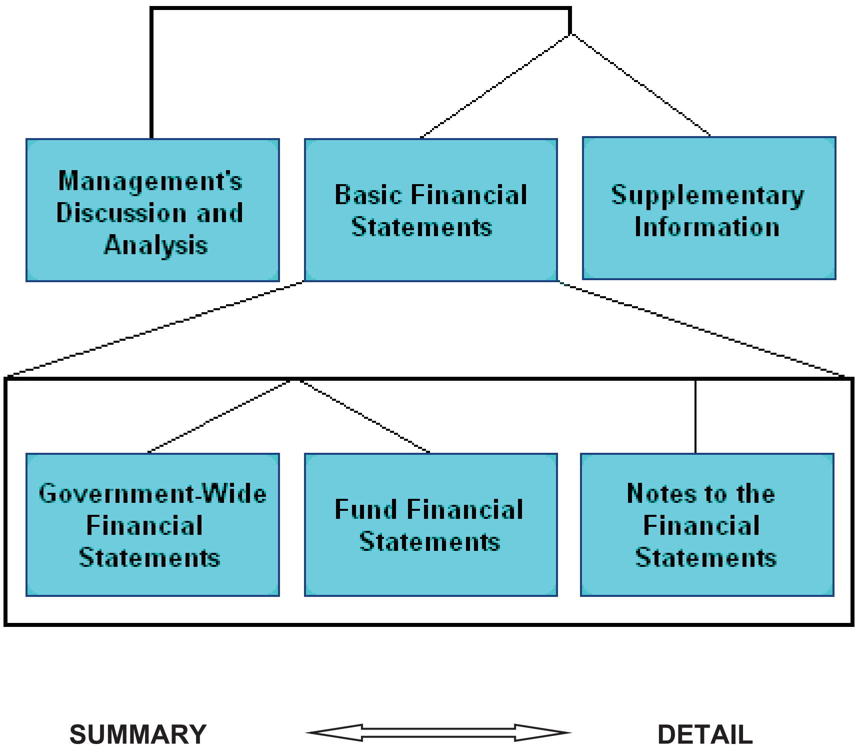


Table 2, displayed on the following page, summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the two types of financial statements, government-wide and fund financial statements, found in the basic financial statements.

Table 2

	Government-wide Statements	Governmental Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required Financial Statements	Statement of Net Position Statement of Activities	Balance Sheet Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Accounting basis and Measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities	All assets, deferred outflows of resources, liabilities and deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Major Features of the Government-Wide and Fund Financial Statements

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the District's finances in a manner similar to a private-sector business. The statement of net position includes all of the District's assets, deferred outflows of resources, liabilities and deferred inflow of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements are designed to provide readers a broad overview of the District's finances. These statements provide both *short-term* and *long-term* information about the District's *overall* financial status.

The *statement of net position* presents information on all of the District's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between them reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors, such as the condition of school buildings and other facilities.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flow in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues *(governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges *(business-type activities*). Included in governmental activities are all of the District's basic services such as regular and special education, transportation, maintenance and operations, food services, and administration. The District does not report any business-type activities.

The basic government-wide financial statements can be found on pages 16-17 of this report.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or major funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and bond covenants. Other funds control and manage money for particular purposes (such as federal grants). The District's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- *Governmental funds*: All of the District's basic services are included in governmental funds, which generally focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed, short-term view that helps determine financial resources that may be available in the near term to finance the District's programs.

- Because this information does not encompass the long-term focus of the government-wide statements, reconciling schedules are included on the governmental funds statements explaining the relationship (or difference) between them.

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be a major fund. The other governmental funds are the Capital Projects Fund, Bond Redemption Fund and Food Services Funds. Additional information for each of these governmental funds is provided in the form of budgetary comparison schedules in the other supplementary information section of this report. Also included in the other supplementary information section is budget-to-actual information for all District funds as required by State Law.

The basic governmental fund financial statements can be found on pages 18-21 of this report.

- *Fiduciary fund:* The Fiduciary fund is used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The District currently has one fiduciary fund titled the Student Activity Fund. This fund is used to account for all student activities.

The basic fiduciary fund statement can be found on page 22 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 23-53 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required and other supplementary information.* This includes budget-to-actual information for all funds as dictated by state law. Additionally, the Colorado Department of Education Auditor's Integrity Report is included in this section.

Financial Analysis of the District as a Whole

Net Position and Changes in Net Position

The District's *combined* net position was less on June 30, 2018, than the year before, decreasing to $ (25.8) million. Table 3 provides a summary of the District's net position at June 30, 2018.

Table 3
Condensed Statement of Net Position

	Governmental Activities 2018	Governmental Activities 2017
Assets		
Current assets	70,774,668	77,489,156
Capital assets	44,793,454	25,679,682
Total assets	115,568,122	103,168,838
Deferred Outflows of Resources	26,061,773	31,128,315
Liabilities		
Current liabilities	9,426,467	1,783,299
Long-term liabilities	154,369,839	148,009,148
Total liabilities	163,796,306	149,792,447
Deferred Inflows of Resources	3,660,149	364,777
Net Position		
Net Investment in capital assets	44,648,062	24,255,906
Restricted	6,117,941	5,545,900
Unrestricted	(76,592,563)	(45,661,877)
Total net position - end of year	(25,826,560)	(15,860,071)
Total net position - beginning of year (restated	(17,858,393)	(6,225,822)
Amount of increase/decrease	(7,968,167)	(9,634,249)
Percent of increase/decrease	(47)%	(155)%

At the end of the 2018 fiscal year, District assets reflect positive balances in all the District funds. Table 4 on the next page provides a summary of the changes in net position. Following Table 4 is specific discussion related to overall revenues and expenses.

Weld County School District RE-1
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 4
Changes in Net Position from Operating Results

	Governmental Activities 2018	Governmental Activities 2017
Revenues		
Program Revenues		
Charges f Services	156,436	245,322
Operating Grants & Contributions	643,547	913,125
Capital Grants & Contribution		
General Revenues		
Property & Specific Ownership Taxes	21,738,850	16,628,171
State Equalization	7,077,618	7,626,650
Other	2,533,262	1,526,520
Total Revenues	32,149,713	26,939,788
Expenses		
Instruction	18,230,438	21,086,631
Support Services		
Pupil/Instructional	5,939,639	3,988,444
General Administration	4,796,496	891,728
School Administration	2,942,255	2,222,035
Business Services	314,615	464,424
Maintenance/Operations	2,680,870	3,209,964
Pupil Transportation	1,340,144	1,468,744
Central Supporting Services	526,045	541,056
Community Services and Other	78,067	95,696
Interest	2,155,742	1,008,529
Bond Issuance Cost		484,243
Food Service Operations	1,113,569	1,112,543
Total Expenses	40,117,880	36,574,037
Cumulative Change in Accounting Principal	(1,998,322)	-
Increase/(Decrease) in Net Position	(9,966,489)	(9,634,249)

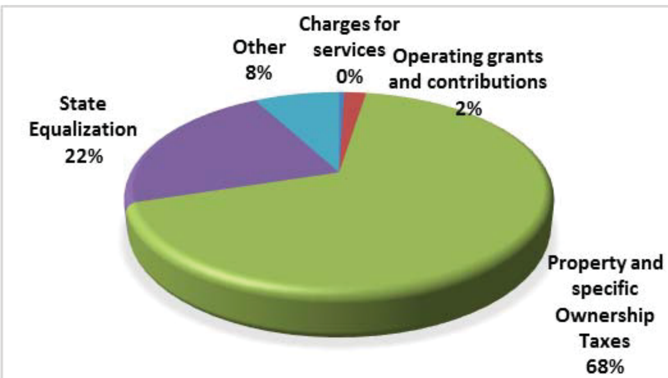
Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue, contributing about 68 cents and 22 cents, respectively, for every dollar raised (see Table 5) on the next page. The remaining 10 cents came from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

Detailed below in Tables 5 and 6 are charts displaying revenues by source and expenses by program for the total District.

Table 5
Sources of Revenues for Fiscal Year 2017 and 2018

2018



2017

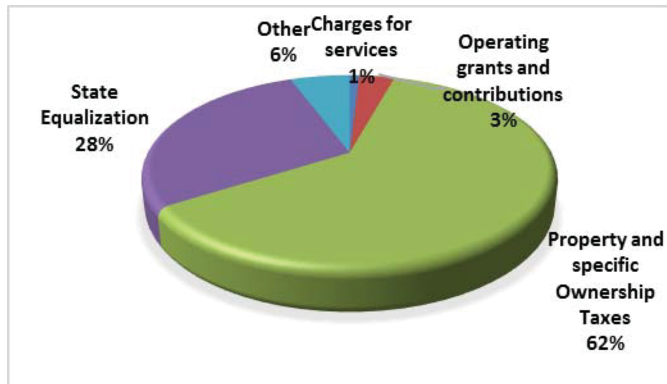
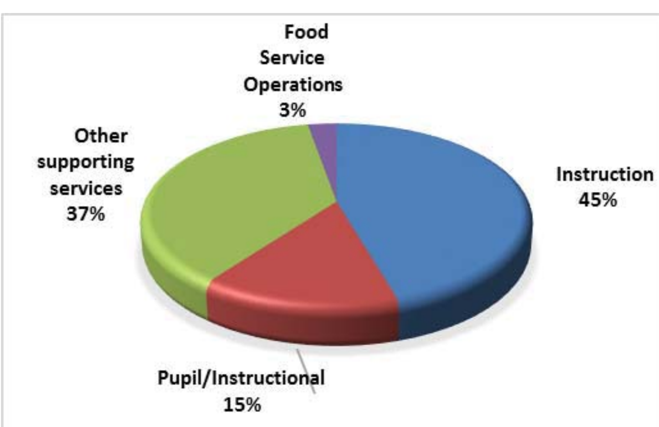
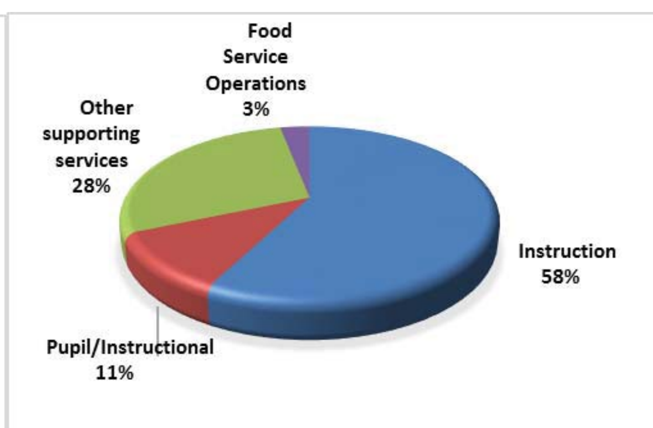


Table 6
Expenses for Fiscal Year 2017 and 2018

2018



2017



Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this Act, the District received $7,554 per funded student for fiscal year 2018. Funding for the School Finance Act comes from property taxes, specific ownership tax, and state equalization. The District receives approximately 22 percent of this funding from state equalization while the remaining amounts come from property tax and specific ownership taxes. In addition, the District passed a mill levy override ballot question in the 2001 election. This levy increased the general fund revenues by $2,073,000, to provide operating revenue for increasing salaries and for implementing and expanding instructional programs. In November 2012, an additional $1,831,000 was approved by voters to restore staff compensation and critical programs. The District receives a total of $3,904,000 in mill levy override funding.

- The decrease in net position for governmental activities was $9,966,489 in the 2018 fiscal year, as compared to a decrease of $9,634,249 in the 2017 fiscal year.

The governmental funds monitor cash resources and expenditures. Capital outlay within these funds was $20,486,748 during fiscal year 2018, as compared to $2,924,702 during the prior year. This expenditure is not considered an expense on the government-wide statement of activities. Rather, these costs are expensed over time as depreciation expense. As reflected on the reconciliation of governmental funds revenues and expenditures to the government-wide statement of activities on page 21, the net difference between capital outlays and depreciation expense was $19,113,772 for the year ended June 30, 2018, and $1,569,577 for the year ending June 30, 2017.

The statement of activities shows the cost of program services and the related charges for services and grants offsetting those costs. Table 7 below reflects each program's total cost and net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

Table 7
Net Cost of Governmental Activities

	2018 Total Cost of Services	2018 Net Cost of Services	2017 Total Cost of Services	2017 Net Cost of Services
Instruction	$18,230,438	$18,230,438	$21,086,631	$20,860,179
Pupil/Instructional	5,939,639	5,939,639	3,988,444	3,988,444
General Administration	4,796,496	4,796,496	891,728	891,728
School Administration	2,942,255	2,942,255	2,222,035	2,222,035
Business Services	314,615	314,615	464,424	464,424
Maintenance/Operations	2,680,870	2,680,870	3,209,964	3,209,964
Public Transportation	1,340,144	1,215,615	1,468,744	1,299,580
Central Supporting Services	526,045	526,045	541,056	541,056
Community Services/Other	78,067	74,629	95,696	87,296
Bond Issuance Cost			484,243	484,243
Interest Expense	2,155,742	2,155,742	1,008,529	1,008,529
Food Service Operations	1,113,569	441,553	1,112,543	358,112
Total Expenses	$40,117,880	$39,317,897	$36,574,037	$35,415,590

The cost of all governmental activities this year was $40.1 million versus $36.6 million for the previous fiscal year.

Some of the cost was financed by the users of the District's programs; $156,436 in 2018 as compared to $245,322 in 2017. Revenues in this category include items such as facility rental, swimming fees, and contracts with other agencies.

The federal and state government subsidized certain programs with grants and contributions of $643,547 in 2018, versus $913,125 in 2017.

Most of the District's net costs of $39.3 million in 2018, as compared to $35.4 million in 2017, however, were financed by District and state taxpayers.

This portion of governmental activities was financed with $7.1 million in 2018, and $7.6 million in 2017, in state equalization from the School Finance Act; $21.7 million in 2018, as compared to $16.6 million in 2017, in property and specific ownership taxes; and approximately $2.5 million in 2018, versus $1.4 million in 2017, in investment earnings and other miscellaneous revenue.

Financial Analysis of District's Funds

The financial performance of the District as a whole is reflected in its governmental funds. In the General Fund, revenues exceeded expenses in the amount of $3,876,695, thereby contributing to an increase in the fund balance for that fund. In the Capital Projects Fund, expenses exceeded revenues, decreasing fund balance to $46.9 million. In the Food Service Fund, expenses exceeded revenues, decreasing fund balance to $(39,877). In the Bond Redemption Fund revenues exceeded expenses increasing fund balance to $5.0 million. In the General Fund budgetary highlights section of this analysis, details regarding the components of the General Fund's fund balance are available.

General Fund Budgetary Highlights

The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The District's final budget for the General Fund shown on page 54 anticipated that revenues, plus carryover funds, would be approximately the same as the 2017 expenditures. The actual results for the year show a $3,876,695 increase for 2018.

- Actual revenues for 2018 were $4,766,745 more than anticipated due to a conservative budget approach for 2018 revenues. Actual revenues for 2017 were $831,514 less than anticipated. The District only obligates new funds from the growth of new students after enrollment is confirmed.

- The actual expenditures were $20.1 million in 2018 and $19.7 million in 2017. The majority of the expense increase is the result of the successful mill levy override election in November 2012. The District is continuing to allocate the mill levy override tax funds for salaries and instructional programs.

- The District must maintain a 3 percent emergency reserve as a part of the TABOR Amendment (Taxpayer Bill of Rights). At June 30, 2018 and 2017, the District's TABOR reserve amounted to $758,000 and $601,000 respectively.

Capital Assets and Debt Administration

Capital Assets

By the end of fiscal year 2018, the District had invested $44.8 million, net of accumulated depreciation, in a broad range of capital assets, including water rights, land, buildings, site improvements, vehicles, and other equipment (See Table 8) below. This amount represents a net increase of approximately $19,113,772 from last year. Additional information on the District's capital assets can be found in Note 4 to the financial statements. Total depreciation expense for the year was $1,372,976, while net additions amounted to $19,113,772.

Table 8
Capital Assets (Net of Depreciation)

	Governmental Activities 2017	Governmental Activities 2018	Total % Change 2017-2018
Water Rights	$185,000	$185,000	0.0%
Land	299,303	299,303	0.0%
Construction in Progress	1,950,846	21,214,952	987.5%
Site Improvements	217,811	140,397	-35.6%
Buildings and Improvements	21,242,288	21,248,034	0.1%
Software	9,169	7,641	-16.7%
Equipment	802,102	854,651	6.6%
Vehicles	973,163	843,476	-.13.3%
Totals	$25,679,682	$44,793,454	

Long-Term Debt

At year end, the District had a total of $63,663,941 of outstanding long term debt. The District reduced capital lease purchase debt in the amount of $105,544, during the 2017-2018 year (See Table 9) below. Principal payments to be made in 2018-2019 are $3,009,426.

Table 9
Long Term Debt

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Amounts Due In One Year
Capital Lease Obligations	$174,970	-	$105,544	$69,426	$69,426
General Obligation Bonds	59,405,000	-	2,825,000	56,580,000	2,940,000
Unamortized bond premium	7,695,698	-	681,183	7,014,515	N/A
Total	67,275,668		3,611,727	63,663,941	3,009,426

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following circumstances that could significantly affect its financial health in the future:

- Actual enrollment for the 2017-2018 school year results in a decrease of 6.5 FTE additional students compared to the 1,870.2 FTE that was projected in the 2017-2018 Adopted Budget. This decrease in the number of students will provide approximately $49,057 less in additional revenue. The per pupil funding is expected to increase from $7,547 in Fiscal 2018 to $7,773 in Fiscal 2019, providing approximately $422,620 in new funding to address inflationary increases. The current projections indicate an average increase of approximately $226 per student for the 2018-2019 school year.

- In 1992, the state legislature changed the fiscal year for public schools from a calendar year to a July 1 to June 30th fiscal year. The change in fiscal years caused a cash flow challenge for districts who receive a higher percent of funding from local property tax and a lower percent of funding from state equalization funds. Therefore, the legislature established an interest free loan program for school districts that experience cash flow problems prior to receiving local property tax in the spring. Since the inception of the interest free loan program, Weld RE-1 has participated in the program. Declining enrollment, increased expenses, and state funding cuts from Fiscal 2010 through Fiscal 2013, have reduced district cash reserves. The School District will need to continue participation in the loan program until cash reserves once again reach a level to meet cash flow needs.

- The State of Colorado experienced slowing economic conditions which had a direct impact on the state's general fund revenues. Because K-12 education is a large portion of the state's budget, the District has been negatively impacted and receives $1.8 million less than the School Finance Act provides for due to the budget stabilization factor. As a contingency plan, the District has grown a reserve contingency fund and will continue to closely monitor the District's fiscal health. In addition, the District has cut staff, programs, and deferred capital projects and has gone to a four-day week academic calendar to reduce costs. In November of 2012, the District passed a mill levy override election and has been able to restore some of the prior year's reductions in programs and staff costs.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Doug Moss, Chief Financial/Operations Officer, Weld County School District RE-1, 14827 W.C.R. 42, P.O. Box 157, Gilcrest, Colorado 80623-0157.

Basic Financial Statements

Weld County School District RE-1

Statement of Net Position

June 30, 2018

		Governmental Activities
Assets		
Cash, cash equivalents and investments	$	70,584,756
Grants receivable		33,909
Property taxes receivable		4,290
Other receivables		134,584
Inventories		17,129
Capital assets:		
Nondepreciable		21,699,255
Depreciable, net of accumulated depreciation		23,094,199
Total assets		115,568,122
Deferred outflows of resources		
Deferred outflows of resources relating to pensions		25,956,267
Deferred outflows of resources relating to other post employment benefits		105,506
Total deferred outflows of resources		26,061,773
Liabilities		
Accounts payable		8,306,780
Accrued salaries and benefits		1,009,150
Accrued interest payable		106,332
Unearned revenue		4,205
Noncurrent liabilities:		
Due within one year		3,009,426
Due in more than one year		60,654,515
Net pension liability		88,680,804
Net other post employment benefit liability		2,025,094
Total liabilities		163,796,306
Deferred inflows of resources		
Deferred inflows of resources relating to pensions		3,626,270
Deferred inflows of resources relating to other post employment benefits		33,879
Total deferred inflows of resources		3,660,149
Net position		
Net investment in capital assets		28,012,896
Restricted for:		
Emergencies		758,000
Multi year obligations		160,000
Debt service		5,039,941
Unrestricted		(59,797,397)
Total net positon	$	(25,826,560)

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

Weld County School District RE-1

Statement of Activities

Year Ended June 30, 2018

Functions/programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental activities:					
Instruction	$ 18,230,438	$ -	$ 522,777	$ -	$ (17,707,661)
Support services:					
Pupil and instructional	5,939,639	-	-	-	(5,939,639)
General administration	4,796,496	-	-	-	(4,796,496)
School administration	2,942,255	-	-	-	(2,942,255)
Business services	314,615	-	-	-	(314,615)
Maintenance and operations	2,680,870	-	-	-	(2,680,870)
Pupil transportation	1,340,144	100	124,429	-	(1,215,615)
Central supporting services	526,045	-	-	-	(526,045)
Community services and other	78,067	3,438	-	-	(74,629)
Food service operations	1,113,569	152,898	519,118	-	(441,553)
Interest expense	2,155,742	-	-	-	(2,155,742)
Total governmental activities / primary government	$ 40,117,880	$ 156,436	$ 1,166,324	$ -	(38,795,120)
General revenues					
Property taxes levied for:					
General purposes					14,386,170
Debt services					5,975,947
Specific ownership taxes for:					
General purposes					1,376,733
Intergovernmental					
Equalization entitlement					7,077,618
Payment in lieu of land dedication					67,861
Earnings on investments					94,146
Oil and gas royalties					107,421
Miscellaneous					1,741,057
Total general revenues					30,826,953
Change in net position					(7,968,167)
Net position at beginning of year					(15,860,071)
Cummulative effect of a change in accounting principle					(1,998,322)
Net position at end of year					$ (25,826,560)

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

Weld County School District RE-1
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Capital Projects Fund	Bond Redemption Fund	Food Service Fund (Nonmajor)	Total Governmental Funds
Assets					
Cash, cash equivalents and investments	$ 9,961,586	$ 55,563,283	$ 5,035,651	$ 24,236	$ 70,584,756
Grants receivable	33,909	-	-	-	33,909
Property taxes receivable	-	-	4,290	-	4,290
Due from other funds	546,227	-	-	-	546,227
Other receivables	134,584	-	-	-	134,584
Inventories	-	-	-	17,129	17,129
Total assets	$ 10,676,306	$ 55,563,283	$ 5,039,941	$ 41,365	$ 71,320,895
Liabilities and fund balances					
Liabilities					
Accounts payable	$ 123,452	$ 8,183,328	$ -	$ -	$ 8,306,780
Accrued salaries and benefits	981,768	-	-	27,382	1,009,150
Due to other funds	-	496,572	-	49,655	546,227
Unearned revenue	-	-	-	4,205	4,205
Total liabilities	1,105,220	8,679,900	-	81,242	9,866,362
Fund balances					
Nonspendable	-	-	-	17,129	17,129
Restricted	918,000	46,883,383	5,039,941	-	52,841,324
Assigned	-	-	-		-
Unassigned	8,653,086	-	-	(57,006)	8,596,080
Total fund balances	9,571,086	46,883,383	5,039,941	(39,877)	61,454,533
Total liabilities and fund balances	$ 10,676,306	$ 55,563,283	$ 5,039,941	$ 41,365	$ 71,320,895

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

Weld County School District RE-1
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position

June 30, 2018

Amounts reported for governmental activities in the statement of net position are different because:		
Fund balance - governmental funds		$ 61,454,533
Capital assets used in governmental activities are not current financial resources, and therefore, are not reported as assets in the fund financial statements.		
Capital assets	$ 68,306,932	
Less: accumulated depreciation	(23,513,478)	44,793,454
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reflected in the fund financial statements, as follows:		
Deferred outflows of resources	$ 25,956,267	
Deferred inflows of resources	(3,626,270)	22,329,997
Other post employment benefit related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 105,506	
Deferred inflows of resources	(33,879)	71,627
Long-term liabilities are not due and payable from current financial resources, and therefore, are not reported as liabilities in the fund financial statements. Long-term liabilities consist of:		
Bonds payable	$ (56,580,000)	
Plus: bond premium	(7,014,515)	
Capital lease obligations	(69,426)	
Accrued interest payable	(106,332)	
Net pension liability	(88,680,804)	
Net other post employment liability	(2,025,094)	(154,476,171)
Total net position - governmental activities		$ (25,826,560)

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

Weld County School District RE-1

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

Year Ended June 30, 2018

	General Fund	Capital Projects Fund	Bond Redemption Fund	Food Service Fund (Nonmajor)	Total Governmental Funds
Revenues					
Local	$ 16,165,538	$ 1,050,054	$ 6,018,082	$ 152,979	$ 23,386,653
State	7,835,236	-	-	14,970	7,850,206
Federal	408,706	-	-	504,148	912,854
Total revenues	24,409,480	1,050,054	6,018,082	672,097	32,149,713
Expenditures					
Current:					
Instruction	11,145,745	-	-	-	11,145,745
Supporting services:					
Pupil and instructional	2,430,521	-	-	-	2,430,521
General administration	682,156	-	-	-	682,156
School administration	1,238,212	-	-	-	1,238,212
Business services	314,615	-	-	-	314,615
Maintenance and operations	2,285,296	26,550	-	-	2,311,846
Pupil transportation	789,371	-	-	-	789,371
Central supporting services	526,045	-	-	-	526,045
Community services and other	78,067	-	-	-	78,067
Food service operations	-	-	-	736,575	736,575
Debt service:					
Principal	105,543	-	2,825,000	-	2,930,543
Interest	4,602	-	2,828,041	-	2,832,643
Capital outlay	532,612	19,954,136	-	-	20,486,748
Total expenditures	20,132,785	19,980,686	5,653,041	736,575	46,503,087
Excess (deficiency) of revenues over expenditures	4,276,695	(18,930,632)	365,041	(64,478)	(14,353,374)
Other financing sources (uses)					
Transfer in	-	400,000	-	-	400,000
Transfer out	(400,000)	-	-	-	(400,000)
Total other financing sources (uses)	(400,000)	400,000	-	-	-
Change in fund balances	3,876,695	(18,530,632)	365,041	(64,478)	(14,353,374)
Fund balances at beginning of year	5,694,391	65,414,015	4,674,900	24,601	75,807,907
Fund balances at end of year	$ 9,571,086	$ 46,883,383	$ 5,039,941	$ (39,877)	$ 61,454,533

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

Weld County School District RE-1

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Government-wide Statement of Activities

Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:		
Change in fund balance - governmental funds.		$(14,353,374)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities these costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay exceeded depreciation during this period.		
Depreciation expense	$ (1,372,976)	
Capital outlay	20,486,748	19,113,772
Repayment of capital lease obligations and principal payments on bonds outstanding are expenditures in the fund financial statements, but are reductions in long-term liabilities in the statement of net position and do not affect the statement of activities.		2,930,544
Increase in accrued interest payable is reflected as interest expense on the statement of activities and not reflected on the governmental fund statement of revenues, expenditures and changes in fund balances.		(4,282)
Accretion of bond premium is included in the statement of activities against interest expense, but is not reflected on the statement of revenues, expenditures and changes in fund balances.		681,183
Changes in the District's net pension liability, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to the District's pension and OPEB plans for the current year are not reported in governmental funds but are included in the statement of activities.		
Pension Related Changes	$ (16,380,865)	
OPEB Related Changes	44,855	(16,336,010)
Change in net position of governmental activities		$ (7,968,167)

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

Weld County School District RE-1

Statement of Fiduciary Net Position

June 30, 2018

Assets		Agency Fund
Cash and cash equivalents	$	407,861
Total assets		407,861
Liabilities		
Due to student groups	$	407,861

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

1. Summary of Significant Accounting Policies

Form of Organization

The Weld County School District RE-1 (the "District") was founded in 1881 and consolidated between 1959 and 1962. The District's major operations include instruction, supporting services, debt service and capital outlay.

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

Reporting Entity

In conformity with GASB financial reporting standards, the District is the reporting entity for financial reporting purposes. The District is the primary government financially accountable for all activities of the District. The District meets the criteria of a primary government: its Board of Directors is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or

2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointment by a higher level of government, or (3) a jointly appointed board.

The financial statements of the District do not include any separately administered organizations as there were none as defined in the aforementioned paragraphs.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, charges for services and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user charges for support. The District does not report any business-type activities.

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

The fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

Governmental funds are used to account for all or most of a government's general activities. The following are the District's major governmental funds:

> *General Fund* - The General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
>
> *Capital Projects Fund* – The capital projects fund was established to account for financial resources used to acquire or construct major capital improvements.
>
> *Bond Redemption Fund* - The Bond Redemption Fund is a debt service fund used to account for the resources accumulated for the payments of general long-term debt principal and interest.

Additionally, the District reports the following nonmajor governmental fund:

> *Food Services Fund* - This special revenue fund is used to account for revenues and expenditures from food service operations.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

The governmental fund financial statements are accounted for using the current financial resources measurement focus, whereby only current assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included in the balance sheet, and the statement of revenues, expenditures and changes in fund balances present increases and decreases in those components. These funds use the modified accrual basis of accounting, whereby revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recognized when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recognized only when payment is due.

Property taxes, intergovernmental grants, and earnings on investments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the District.

Because governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements, reconciliations are presented that briefly explain the adjustments necessary to reconcile to ending net position and the change in net position.

In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, ("GASB No. 33") the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source. Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30 or in two equal installments due on the last day of February and June 15.

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District has no private-purpose trust funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District has one agency fund, the Student Activity Fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Budgets

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

- During May, the District superintendent submits to the District Board of Education a proposed operating budget for the fiscal year beginning the following July 1. The operating budget includes proposed expenditures and the means of financing them. The public is notified by a legal notice that the budget is available for review.

- A public hearing is conducted to obtain taxpayer comments.

- Prior to June 30, the budget is legally adopted by formal resolution.

- Any budget revisions that alter the total expenditures of any fund must be approved by the Board of Education through passage of a formal resolution.

- The District legally adopts budgets for all of the funds. Budgets for the General, Bond Redemption, Capital Projects, Food Service and Student Activity Funds are adopted on a basis consistent with GAAP.

- Budgeted amounts in the financial statements are as originally adopted or as amended by the District Board of Education. All appropriations lapse at year end.

The following table summarizes the individual fund budgeted expenditures, as originally adopted, and as revised:

	Original Budget	Total Revisions	Revised Budget
Governmental funds:			
General	$24,514,965	$ -	$ 24,514,965
Capital projects	59,993,646	255,425	60,249,071
Bond redemption	8,193,150	-	8,193,150
Food service	750,567	-	750,567
Fiduciary fund:			
Student activity	1,037,135	-	1,037,135
Total funds	$94,489,463	$ 255,425	$ 94,744,888

The Student Activity Fund is an agency fund. GAAP does not require budgetary accounting for agency funds. However, Colorado Local Government Accounting and Reporting Laws require that a budget be adopted and reported for these funds. The following represents the financial activities for the Student Activity Fund as compared to the budget:

	Original Budget	Final Budget	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Beginning funds available	$ 337,135	$ 337,135	$ 365,153	$ 28,018
Additions (receipts)	700,000	700,000	632,136	(67,864)
Total funds available	1,037,135	1,037,135	997,289	(39,846)
Deductions (disbursements)	(1,037,135)	(1,037,135)	(589,428)	447,707
Ending funds available	$ -	$ -	$ 407,861	$ 407,861

Cash and Cash Equivalents

The District considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments

During 2018, the District had investments in local government investment pools. Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application.*

Revenue Recognition/Property Taxes

Property taxes attach an enforceable lien on property as of January 1. Taxes are levied in December, payable in the following year in full by April 30, or in two equal installments due on the last day of February and June 15. The county treasurer bills and collects property taxes for all taxing entities within the county. Property tax receipts collected by the county treasurer each month are remitted to the District by the tenth day of the subsequent month. Property tax revenues are recognized in the government-wide financial statements in the year that the property taxes are used to fund the operations of the District.

In the fund financial statements, property taxes are recognized in the year for which levied, provided they become available and measurable.

Short-Term Interfund Receivables/Payables

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

Inventories

Inventories consist of purchased and donated food, and non-food supplies. Purchased inventories are stated at lower of cost or market as determined using the first-in, first-out method. Food donated by the federal government at no cost to the District is stated at fair value in accordance with a USDA furnished price list.

Capital Assets

Capital assets, which include site improvements, buildings and improvements, software, equipment, and vehicles, are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Assets are depreciated using the straight-line method. Depreciation expense is reflected as an operating expense in the government-wide statement of activities. Estimated useful lives for asset types are as follows:

Description	Estimated Lives
Site improvements	20 years
Buildings and improvements	15-50 years
Software	10 years
Equipment	5-15 years
Vehicles	8 years

The payment for capital assets acquired by the District is recorded as an expenditure in the fund financial statements in the year of acquisition. Therefore, capital assets used in governmental fund type operations are not accounted for in the individual funds and no depreciation is provided.

Impairment of Capital Assets

GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, establishes accounting and financial reporting standards for impairment of capital assets. A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The District is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. Management of the District has determined that there are no indications of impairment of capital assets as of June 30, 2018.

Bond Issuance Costs, Premium and Discounts, and Bond Refunding

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest rate method as principal is paid. Bonds payable are reported net of the applicable bond premium and discount. Debt issuance costs are recognized as an expense in the period of issuance.

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

Unearned Revenues

The District includes grant funds that have been collected, where the corresponding expenditures have not been incurred, as unearned revenues in the financial statements.

Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Personal leave benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services rendered and it is probable that the District will compensate the employees for the benefits earned. District policy permits employees to accumulate up to 60 sick days. Each June, employees are reimbursed at one-half the current substitute pay for unused sick days which exceed 60 days.

Amounts of vested or accumulated vacation pay that are not expected to be liquidated with expendable available financial resources are reported on the government-wide financial statements.

On the governmental fund financial statements, where applicable, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. At June 30, 2018, there is no accrual in the financial statements, as management deemed the balance to be immaterial.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements. In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, claims and judgments and the noncurrent portion of long-term liabilities that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. In general, payments made within 60 days after year-end are considered to have been made with current available financial resources. Capital lease obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. The District's deferred inflows consist of amounts relating to the District's pension and other post-employment benefits ("OPEB") plans. See notes 7 and 8 for further information relating to the Districts pension and OPEB amounts

Net Position and Fund Balance

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

Net Investment in Capital Assets - This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net Position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position - This category represents the net position of the District which is not restricted for any project or other purpose. A deficit will require future funding.

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation, or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Education (the "Board"). The Board is the highest level of decision making authority for the District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

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

As of June 30, 2018, fund balances are composed of the following:

	General Fund	Capital Projects Fund	Bond Redemption Fund	Food Service Fund (Nonmajor)	Total Governmental Funds
Nonspendable:					
Inventories	$ -	$ -	$ -	$ 17,129	$ 17,129
Restricted:					
Emergencies	758,000	-	-	-	758,000
Debt Service Payments	-	-	5,039,941	-	5,039,941
Multi year obligations	160,000	-	-	-	160,000
Capital projects	-	46,883,383	-	-	46,883,383
Assigned:					
Food service	-	-	-		-
Unassigned:	8,653,086	-	-	(57,006)	8,596,080
Total fund balances	$ 9,571,086	$46,883,383	$ 5,039,941	$ (39,877)	$ 61,454,533

Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Pensions

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill ("SB") 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a 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 disclosures in Note 7 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.

Other Post Employment Benefits

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

Estimates

The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Financial Policies and Procedures

Management of the District believes it is in compliance with applicable state requirements, which includes adherence to the accounting policies and procedures described in the Financial Policies and Procedures Handbook issued by the Colorado Department of Education.

Stewardship, Compliance, and Accountability

At June 30, 2018, the Food Service Fund had a negative net position of $39,877. The district expects this to be eliminated with future years activity in the Food Service Fund.

2. Adoption of New Accounting Principle

During fiscal year 2018, the District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities. The result of the implementation of this standard was to decrease the net position at the beginning of the fiscal year by $1,998,322, in the governmental activities.

3. Cash, Cash Equivalents and Investments

At June 30, 2018, the District had cash, and cash equivalents and investments as follows:

Cash on hand	$	375
Cash with county treasurer		5,035,651
Bank deposits		1,844,877
Local government investment pools		64,111,714
Total cash deposits	$	70,992,617

The above amounts are classified in the statements of net position and fiduciary net position as follows:

Statement of net position		
Cash, cash equivalents and investments	$	70,584,756
Statement of fiduciary net position		
Cash, cash equivalents		407,861
Total cash, cash equivalents and investments	$	70,992,617

Custodial Credit Risk - Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At June 30, 2018, the District had deposits with financial institutions with a carrying amount of $1,844,877. The bank balances with the financial institutions were $2,683,833, of which $500,000 was covered by federal depository insurance. The remaining balance of $2,183,833 was collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which the District may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States and U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Custodial Credit Risk – Investments

For investments, custodial credit risk is the risk that in the event of a failure of a counter party, the District would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a specific policy for custodial credit risk. As of June 30, 2018, the District had no investments exposed to custodial credit risk outside of its investment in the Colorado Local Government Liquid Asset Trust.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair value losses arising from increasing interest rates.

Local Government Investment Pool

At June 30, 2018, the District had invested approximately $64 million in the Colorado Local Government Liquid Asset Trust (the "Trust"), a local government investment pool. As an investment pool, the Trust operates under the C.R.S. 24-75-701 and is overseen by the Colorado Securities Commissioner. The Trust is exempt from registration with the Securities and Exchange Commission. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios are rated AAAm by Standard and Poor's and may invest in U.S. Treasury Securities, repurchase agreements collateralized by U.S. Treasury Securities and the highest rated commercial paper. Wells Fargo Bank serves as custodian for the Trust's portfolios and provides services as the depository in connection with direct investments owned by the Trust. The Trust is measured at net asset value. Separate financial statements can be obtained by calling (303) 864-7474 or going to www.colotrust.com.

4. Capital Assets

A summary of changes in governmental-activities capital assets for the year ended June 30, 2018, is as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Water rights	$ 185,000	$ -	$ -	$ 185,000
Land	299,303	-	-	299,303
Construction in Progress	1,950,846	19,264,106	-	21,214,952
Total capital assets, not being depreciated	2,435,149	19,264,106	-	21,699,255
Capital assets, being depreciated				
Site improvements	1,989,078	-	-	1,989,078
Software	15,281	-	-	15,281
Buildings and improvements	38,497,758	882,222	-	39,379,980
Equipment	2,478,213	254,320	-	2,732,533
Vehicles	2,429,755	86,100	(25,050)	2,490,805
Total capital assets, being depreciated	45,410,085	1,222,642	(25,050)	46,607,677
Less accumulated depreciation for:				
Site improvements	(1,771,267)	(77,414)	-	(1,848,681)
Software	(6,112)	(1,528)	-	(7,640)
Buildings and improvements	(17,255,470)	(876,476)	-	(18,131,946)
Equipment	(1,676,111)	(201,771)	-	(1,877,882)
Vehicles	(1,456,592)	(215,787)	25,050	(1,647,329)
Total accumulated depreciation	(22,165,552)	(1,372,976)	25,050	(23,513,478)
Total capital assets, being depreciated, net	23,244,533	(150,334)	-	23,094,199
Governmental activities capital assets, net	$25,679,682	$19,113,772	$ -	$44,793,454

Depreciation is allocated to the following functions for governmental activities on the statement of activities:

Governmental Activities:	
Instruction	$ 1,147,202
Pupil transportation	215,787
Food service operations	9,987
Total depreciation expense, governmental activities	$ 1,372,976

5. Accrued Salary and Benefits

Salaries and benefits of teachers and certain other classified personnel under contract to the District are paid over a twelve-month period from August 1 to July 31, but the salaries are earned over the school period of approximately nine months. The salaries earned and the related benefits have been accrued as of June 30, 2018, amounting to $1,009,150 in the governmental activities.

6. Short-Term Debt

In an effort to alleviate short-term cash flow issues, the District participated in the State of Colorado's Interest-Free Loan Program, with activity for the current fiscal year as follows:

	Beginning	Borrowings	Repayments	Ending Balanc
Short Term Debt	$ -	$ 3,788,546	$ (3,788,546)	$ -

7. Long-Term Debt

The following is a summary of changes in long-term debt of the District for the year June 30, 2018:

	Balance Beginning	Additions	Reductions	Balance Ending	Amounts Due in One Year
Capital lease obligations dated					
July 20, 2014	$ 37,844	$ -	$ 37,844	$ -	$ -
July 15, 2015	137,126	-	67,700	69,426	69,426
General obligation bonds:					
2017 General Obligation Bonds	59,405,000	-	2,825,000	56,580,000	2,940,000
Unamortized bond premium	7,695,698	-	681,183	7,014,515	n/a
Total long term debt	$67,275,668	$ -	$ 3,611,727	$63,663,941	$ 3,009,426

General Obligation Bonds- Series 2017

During 2017, the District issued general obligation bonds for $59,405,000, with varying interest rates of 4.0% to 5.0%, for the purpose of the construction of new school buildings, and improving, repairing and making additions to existing school buildings. The bonds were issued for a fifteen year period with final maturity during fiscal year 2032.

The annual requirements to amortize the general obligation bond is outstanding as of June 30, 2018, are as follows:

Ending June 30	Principal	Interest	Service
2019	$ 2,940,000	$ 2,263,200	$ 5,203,200
2020	3,055,000	2,540,925	5,595,925
2021	3,180,000	2,676,250	5,856,250
2022	3,335,000	2,517,250	5,852,250
2023	3,505,000	2,350,500	5,855,500
2024-2028	20,330,000	8,842,000	29,172,000
2029-2032	20,235,000	3,179,000	23,414,000
Total	$56,580,000	$24,369,125	$80,949,125

Capital lease obligations

On July 20, 2014, the District entered into a lease purchase agreement with a third party to acquire computer equipment. The lease term is three years and calls for annual payments of $38,948, principal and interest, at 2.92% through July 20, 2017. The lease is collateralized by the computer equipment. This lease was paid in full as of June 30, 2018.

On July 15, 2015, the District entered into a lease purchase agreement with a third party to acquire computer equipment. The lease term is four years and calls for annual payments of $71,197, principal and interest, at 2.55% through July 15, 2018. The lease is collateralized by the computer equipment.

The future minimum lease obligation and net present value of the minimum lease payments as of June 30, 2018, are as follows:

Ending June 30	Amount
2019	$ 71,196
Total lease payments	71,196
Less: amount representing interest	(1,770)
Present value of future lease payments	$ 69,426

The book value of assets acquired through capital lease at June 30, 2018, is as follows:

Equipment	$ 274,340
Less: accumulated depreciation	(163,251)
Total	$ 111,089

8. Defined Benefit Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and

Clerical Workers ("CPI-W") for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

Contributions

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $2,618,561 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $88,680,804 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 0.27424 percent, which was an increase of.00308 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of $18,999,426. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,630,466	$ -
Net difference between projected and actual earnings on pension plan investments	-	3,482,580
Changes of assumptions or other inputs	22,643,504	143,690
Changes in proportionate share	255,128	-
District contributions subsequent to the measurement date	1,427,169	-
Total	$ 25,956,267	$ 3,626,270

The $1,427,169 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Amortization
2019	$ 13,918,066
2020	8,112,634
2021	177,728
2022	(1,305,600)
Total	$ 20,902,828

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
Future 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

Discount Rate

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%;

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members;

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions;

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate;

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections;

- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
District's proportionate share of the net pension liability	$ 112,018,939	$ 88,680,804	$ 69,662,890

Pension plan fiduciary net position

Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at.

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years. A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

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

At June 30, 2018, the District reported a net pension liability of $88,680,804 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 40,065,219

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 $41,400,000 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

9. Defined Benefit Other Post Employment Benefits Plan

Plan Description

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

Benefits Provided

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

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

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

Contribution

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 approximately $141,326 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of $2,025,094 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District’s proportion of the net OPEB liability was based on District 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 0.15582 percent, which was a increase of 0.00169 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of $96,471. 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	
Differences between expected and actual experience	$	9,577	$	-
Net difference between projected and actual earnings on OPEB plan investments		-		33,879
Changes in proportionate share		19,833		-
District contributions subsequent to the measurement date		76,096		-
Total	$	105,506	$	33,879

The $76,096 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,		Amortization
2019	$	(2,267)
2020		(2,267)
2021		(2,267)
2022		(2,266)
2023		4,431
Thereafter		167
	$	(4,469)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience;

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

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience;

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the "No Part A Subsidy" when they retire were revised to more closely reflect actual experience;

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the "No Part A Subsidy" but have not reached age 65, were revised to more closely reflect actual experience;

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums;

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience;

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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

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

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

Sensitivity of the District proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ulitimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 1,969,376	$ 2,025,094	$ 2,092,203

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date;

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%;

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members;

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate;

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections;

- Benefit payments and contributions were assumed to be made at the end of the month.

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	$ 2,276,842	$ 2,025,094	$ 1,810,220

OPEB Plan fiduciary net position

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

10. Defined Contribution Pension Plan

Plan Description

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

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. For the year ended June 30, 2018, program members contributed $55,447 for the Voluntary Investment Program.

11. Jointly Governed Organization

Centennial Board of Cooperative Educational Services

The District, in conjunction with other surrounding school districts, created the Centennial Board of Cooperative Education Services ("BOCES"). The BOCES is an organization that provides member districts educational and computer services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district.

During the year ended June 30, 2018, the District received federal and state funds through the BOCES in the amount of $377,983 and paid the BOCES $79,138 for services. The BOCES is not included as a component unit of the general purpose financial statements of the District as the District has no financial accountability for the BOCES. The BOCES financial statements can be obtained at their administrative office located at 2020 Clubhouse Drive, Greeley, Colorado 80634.

12. Risk Management

The District belongs to the Colorado School Districts Self-insurance Pool (the "Pool") that was formed in 1981 to give individual districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by the Pool is property, crime, general liability, auto liability and physical damage, and errors and omissions. The Board of Directors is composed of seven persons who are district school board members, superintendents or district business officials. The Pool became self-administered in May 1997, and currently has eleven employees.

Each member's premium contribution is determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income, and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuary study is conducted annually. These reports may be obtained by contacting the Pool's administrative offices at 6857 South Spruce Street, Centennial, Colorado 80112.

13. Commitments and Contingencies

Grant Programs

The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2018, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Self-Insurance Pool

As discussed in Note 11, the District is a member of the Colorado School Districts' Self-insurance Pool. The Pool has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the District resulting from claims not covered by the Pool is not presently determinable.

Litigation

The District is subject to claims and litigation from outside parties in the ordinary course of operations. After consultation with legal counsel, the District believes the ultimate outcome of such matters will not materially affect its financial condition.

Commitments

The District has various construction contracts with remaining contractual commitments of approximately $33 million as of June 30, 2018.

14. Taxes, Spending and Debt Limitations

In November 1992, Colorado voters passed an amendment (the "Amendment" or "TABOR") to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserve (balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt.

Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. An emergency, as defined by the Amendment, excludes economic conditions, revenue shortfalls, or salary of fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The District has restricted $758,000 for this purpose

On November 5, 1996, the voting citizens of the District authorized the District to retain, appropriate, and utilize, by expenditure, retention for reserves, or carryover fund balance the full proceeds and revenues received from every source, without limitation, in 1997, and all subsequent years, notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. This effectively removed all revenue and spending limits imposed by TABOR.

15. Subsequent Events

Management of the District has evaluated subsequent events through February 8, 2019, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosures in the financial statements were identified.

Required Supplementary Information

Weld County School District RE-1
Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Local	$ 10,014,190	$ 10,014,190	$ 16,165,538	$ 6,151,348
State	9,227,445	9,227,445	7,835,236	(1,392,209)
Federal	401,100	401,100	408,706	7,606
Appropriated reserves	5,500,000	5,500,000	-	(5,500,000)
Total revenues	25,142,735	25,142,735	24,409,480	(733,255)
Expenditures				
Current:				
Instruction	11,206,096	11,206,096	11,145,745	60,351
Supporting services:				
Pupil and instructional	2,645,307	2,645,307	2,430,521	214,786
General administration	773,797	773,797	682,156	91,641
School administration	1,137,581	1,137,581	1,238,212	(100,631)
Business services	224,425	224,425	314,615	(90,190)
Maintenance and operations	2,157,776	2,157,776	2,285,296	(127,520)
Pupil transportation	719,779	719,779	789,371	(69,592)
Central supporting services	580,589	580,589	526,045	54,544
Community services and other	123,807	123,807	78,067	45,740
Debt service:				
Principal	105,545	105,545	105,543	2
Interest	4,603	4,603	4,602	1
Capital outlay	379,810	379,810	532,612	(152,802)
Reserves and contingencies	4,855,850	4,855,850	-	4,855,850
Total expenditures	24,914,965	24,914,965	20,132,785	4,782,180
Excess (deficiency) of revenues over expenditures	227,770	227,770	4,276,695	4,048,925
Other financing sources (uses)				
Proceeds from capital leases	172,230	172,230	-	(172,230)
Transfers out	(400,000)	(400,000)	(400,000)	-
Total other financing sources (uses)	(227,770)	(227,770)	(400,000)	(172,230)
Change in fund balance	$ -	$ -	3,876,695	$ 3,876,695
Fund balance at beginning of year			5,694,391	
Fund balance at end of year			$ 9,571,086	

See accompanying Independent Auditor's Report.

Weld County School District RE-1

Schedule of the District's Proportionate Share of the Net Pension Liability

Last Ten Years

December 31,	2017	2016	2015	2014	2013
District's proportion of the net pension liability	0.27424%	0.27116%	0.27118%	0.26465%	0.24564%
District's proportionate share of the net pension liability	$ 88,680,804	$ 80,733,480	$ 41,474,856	$ 35,869,131	$ 30,396,753
District's covered payroll	$ 12,650,551	$ 12,169,941	$ 11,806,117	$ 11,083,333	$ 9,900,917
District's proportionate share of the net pension liability as a percentage of its covered payroll	701.00%	663.38%	351.30%	323.63%	307.01%
Plan fiduciary net position as a percentage of the total pension	43.96%	43.10%	59.20%	62.84%	64.07%

* The amounts presented for each fiscal year were determined as of 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report

Weld County School District RE-1

Schedule of District Contributions - Pension

Last Ten Years

Years Ended June 30,	2018	2017	2016	2015
Statutorily Required Contribution	$ 2,356,799	$ 2,269,355	$ 2,251,307	$ 1,952,240
Contributions in Relation to the Statutorily Required Contribution	2,356,799	2,269,355	2,251,307	1,952,240
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 13,855,390	$ 12,344,610	$ 12,004,029	$ 11,560,387
Contributions as a Percentage of Covered Payroll	17.01%	18.38%	18.75%	16.89%

2014	2013	2012	2011	2010	2009
$ 1,697,250	$ 1,495,052	$ 1,378,360	$ 1,369,232	$ 1,407,591	$ 1,343,775
1,697,250	1,495,052	1,378,360	1,369,232	1,407,591	1,343,775
$ -	$ -	$ -	$ -	$ -	$ -
$ 10,616,063	$ 9,931,052	$ 9,720,207	$ 10,312,761	$ 11,371,713	$ 11,706,835
15.99%	15.05%	14.18%	13.28%	12.38%	11.48%

Weld County School District RE-1

Schedule of the District's Proportionate Share of the Net OPEB Liability

Last Ten Years

December 31,	2017	2016
District's proportion of the net OPEB liability	0.15582%	0.15413%
District's proportionate share of the net OPEB liability	$ 2,025,094	$ 1,998,322
District's covered payroll	$ 12,650,551	$ 12,169,941
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Weld County School District RE-1
Schedule of District Contributions - OPEB
Last Ten Years

Years Ended June 30,	2018	2017	2016	2015
Statutorily Required Contribution	$ 141,326	$ 125,915	$ 122,441	$ 117,916
Contributions in Relation to the Statutorily Required Contribution	141,326	125,915	122,441	117,916
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered Payroll	$ 13,855,390	$ 12,344,610	$ 12,004,029	$ 11,560,387
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

2014		2013		2012		2011		2010		2009
$	108,284	$	101,297	$	99,146	$	105,190	$	115,991	$	119,410
	108,284		101,297		99,146		105,190		115,991		119,410
$	-	$	-	$	-	$	-	$	-	$	-
$	10,616,063	$	9,931,052	$	9,720,207	$	10,312,761	$	11,371,713	$	11,706,835
	1.02%		1.02%		1.02%		1.02%		1.02%		1.02%

See accompanying Independent Auditor's Report.

Other Supplementary Information

Weld County School District RE-1

Budgetary Comparison Schedule

Capital Projects Fund

Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Cash in lieu of land dedication	$ -	$ 67,860	$ 67,861	$ 1
Other revenue	50,000	50,000	40,002	(9,998)
Earnings on investments	600,500	600,500	942,191	341,691
Reserves and contingencies	58,361,268	58,361,268	-	(58,361,268)
Total revenues	59,011,768	59,079,628	1,050,054	(58,029,574)
Expenditures				
Maintenance and operations	7,250,500	7,250,500	26,550	7,223,950
Capital outlay	52,561,268	52,561,268	19,954,136	32,607,132
Reserves	181,878	437,303	-	437,303
Total expenditures	59,993,646	60,249,071	19,980,686	40,268,385
Deficiency of revenues over expenditures	(981,878)	(1,169,443)	(18,930,632)	(17,761,189)
Other financing sources				
Transfer in	400,000	400,000	400,000	-
Total other financing sources	400,000	400,000	400,000	-
Change in fund balance	$ (581,878)	$ (769,443)	(18,530,632)	$ (17,761,189)
Fund balance at beginning of year			65,414,015	
Fund balance at end of year			$ 46,883,383	

See accompanying Independent Auditor's Report.

Weld County School District RE-1
Budgetary Comparison Schedule
Bond Redemption Fund
Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Local	$ 6,000,000	$ 6,000,000	$ 6,018,082	$ 18,082
Total revenues	6,000,000	6,000,000	6,018,082	18,082
Expenditures				
Debt service	7,096,575	7,096,575	5,653,041	1,443,534
Reserves	1,096,575	1,096,575	-	1,096,575
Total expenditures	8,193,150	8,193,150	5,653,041	2,540,109
Change in fund balance	$ (2,193,150)	$ (2,193,150)	365,041	$ 2,558,191
Fund balance at beginning of year			4,674,900	
Fund balance at end of year			$ 5,039,941	

See accompanying Independent Auditor's Report.

Weld County School District RE-1
Budgetary Comparison Schedule
Food Service Fund
Year Ended June 30, 2018

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts Budget Basis	Variance with Final Budget Positive (Negative)
Revenues				
Food sales	$ 156,400	$ 156,400	$ 152,898	$ (3,502)
USDA reimbursements	505,000	505,000	448,750	(56,250)
Donated commodities	-	-	55,398	55,398
State reimbursement	15,000	15,000	14,970	(30)
Other revenues	1,020	1,020	81	(939)
Reserves and contingencies	49,855	49,855	-	(49,855)
Total revenues	727,275	727,275	672,097	(55,178)
Expenditures				
Salaries and benefits	410,466	410,466	408,270	2,196
Supplies and materials	282,000	282,000	328,305	(46,305)
Other	33,500	33,500	-	33,500
Reserve contingency	24,601	24,601	-	24,601
Total expenditures	750,567	750,567	736,575	13,992
Change in fund balance	$ (23,292)	$ (23,292)	(64,478)	$ (41,186)
Fund balance at beginning of year			24,601	
Fund balance at end of year			$ (39,877)	

See accompanying Independent Auditor's Report.

Colorado Department of Education

Auditors Integrity Report

District: 3080 - WELD COUNTY RE-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
Governmental					
10	General Fund	6,726,209	24,029,114	21,184,236	9,571,087
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	0	0	0	0
	Sub- Total	**6,726,209**	**24,029,114**	**21,184,236**	**9,571,087**
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	-78	727,051	766,850	-39,877
22	Govt Designated-Purpose Grants Fund	0	0	0	0
23	Pupil Activity Special Revenue Fund	0	0	0	0
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	4,674,901	6,018,081	5,653,040	5,039,941
39	Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41	Building Fund	65,288,680	1,450,053	19,855,350	46,883,383
42	Special Building Fund	0	0	0	0
43	Capital Reserve Capital Projects Fund	0	0	0	0
46	Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals		**76,689,711**	**32,224,299**	**47,459,476**	**61,454,533**
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		**0**	**0**	**0**	**0**
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	364,376	632,136	588,650	407,862
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		**364,376**	**632,136**	**588,650**	**407,862**

FINAL

Statistical Section

Weld County School District RE-1

Schedule of Expenditures by Function and Revenues by Source

Ten Fiscal Years Ended

June 30,	2018	2017	2016	2015*	2014
General government expenditures by function					
Instruction	$ 11,145,745	$ 10,881,006	$ 10,582,739	$ 10,198,793	$ 9,550,335
Supporting services:					
Pupil and instructional	2,430,521	2,395,456	2,195,334	2,035,728	1,925,705
General administration	682,156	569,441	578,427	599,386	588,225
School administration	1,238,212	1,217,497	1,160,266	1,093,570	988,510
Maintenance and operations	2,311,846	2,415,083	2,220,415	2,275,922	1,670,700
Pupil transportation	789,371	715,464	694,125	699,470	633,935
Business services	314,615	268,361	238,868	261,394	246,819
Central supporting services	526,045	495,067	462,635	474,011	503,963
Community services and other	78,067	95,696	120,236	15,962	10,512
Food service operations	736,575	779,814	780,310	781,781	-
Debt service:					
Principal	2,930,543	142,831	186,045	152,076	152,559
Interest	2,832,643	1,305,383	6,655	6,911	7,363
Bond issuance costs	-	484,243			
Capital projects:					
Capital outlay	-	147,093	-	-	-
Water rights	-	-	-	-	-
Land and improvements	-	-	11,844	149,249	-
Construction in progress	19,264,106	1,950,846	-	-	-
Buildings	882,222	555,509	468,473	768,324	1,670,682
Equipment and vehicles	340,420	418,347	513,536	637,084	405,613
Total expenditures	$ 46,503,087	$ 24,837,137	$ 20,219,908	$ 20,149,661	$ 18,354,921
General government revenues by source					
General property taxes	$ 20,338,443	$ 15,572,565	$ 14,321,061	$ 11,834,202	$ 10,694,043
Specific ownership taxes	1,376,733	1,050,702	626,242	830,198	866,865
Interest on delinquent taxes	23,674	4,904	759	1,882	2,537
Earnings on investments	52,011	10,619	2,789	756	804
Other local sources	2,114,910	1,761,223	1,595,216	1,777,157	1,229,105
Federal grants	408,706	379,650	468,262	424,612	601,687
State sources	7,835,236	8,160,125	3,885,268	4,404,100	4,962,192
Proceeds from bond issuance	-	59,405,000	-	-	-
Bond premium	-	8,086,358	-	-	-
Total revenues	$ 32,149,713	$ 94,431,146	$ 20,899,597	$ 19,272,907	$ 18,357,233

* Food services were reported as an enterprise fund until the fiscal year ended June 30, 2015.

2013	2012	2011	2010	2009
$ 9,179,601	$ 8,414,847	$ 9,125,799	$ 10,051,949	$ 10,147,395
1,592,348	1,557,628	1,706,668	2,102,266	2,136,404
601,192	404,920	438,296	410,135	383,056
833,349	855,690	802,600	863,707	829,105
1,661,077	1,777,490	1,690,193	155,113	142,206
657,656	649,367	670,936	1,724,666	1,735,961
207,369	188,985	176,656	670,908	655,700
436,940	468,162	431,420	405,894	516,959
14,316	38,519	50,121	31,210	26,016
-	-	-	-	-
152,313	166,715	200,944	161,069	130,017
7,512	8,261	10,006	9,997	-
-	-	-	-	-
-	-	-	-	160,000
10,000	-	-	-	-
-	-	-	-	-
389,121	-	-	-	-
208,834	151,568	217,683	257,799	587,471
$ 15,951,628	$ 14,682,152	$ 15,521,322	$ 16,844,713	$ 17,450,290
$ 10,726,243	$ 7,862,912	$ 6,257,717	$ 8,494,941	$ 6,125,954
649,592	518,976	430,421	511,550	541,465
2,008	1,719	1,295	3,512	967
2,772	2,873	3,970	1,078	9,051
180,908	361,553	394,163	257,004	245,817
578,434	595,868	1,182,114	897,340	504,761
4,939,233	6,217,606	8,293,861	6,722,538	8,554,899
-	-	-	-	-
-	-	-	-	-
$ 17,079,190	$ 15,561,507	$ 16,563,541	$ 16,887,963	$ 15,982,914

Weld County School District RE-1

Schedule of Statistical Data

Ten Fiscal Years Ended

June 30,	2018	2017	2016	2015	2014
Estimated value of taxable property	$ 2,901,182,839	$ 2,411,815,058	$ 3,073,623,314	$ 2,670,289,691	$ 2,295,051,264
Assessed valuation	$ 1,059,267,343	$ 920,507,235	$ 1,550,245,510	$ 1,371,573,470	$ 1,096,631,446
Mill levy by fund					
General fund	9.891	10.444	9.163	9.069	9.760
Bond redemption fund	5.659	6.512	-	-	-
Total district mill levy	15.550	16.956	9.163	9.069	9.760
Mill levy including overlapping					
Governments - by population center					
LaSalle	76.369	74.025	64.211	67.080	65.281
Gilcrest	84.052	82.311	73.856	73.904	74.414
Platteville	68.618	69.110	60.931	60.703	56.063
General property tax revenue - net					
General fund	14,386,170	9,614,190	14,321,829	11,836,084	$ 11,909,325
Bond redemption fund	5,975,947	5,943,876	-	-	-
Total general property tax revenue - net	$ 20,362,117	$ 15,558,066	$ 14,321,829	$ 11,836,084	$ 11,909,325
State equalization entitlement	$ 7,077,618	$ 7,626,650	$ 3,402,418	$ 3,982,261	$ 4,677,482
Legal debt margin - end of year	$ 211,853,469	$ 184,121,124	$ 310,049,102	$ 274,314,694	$ 219,326,289

	2013	2012	2011	2010	2009
	$ 2,222,955,571	$ 1,832,950,253	$ 1,031,556,600	$ 1,900,256,062	$ 1,491,837,121
	$ 1,101,343,912	$ 905,404,150	$ 661,409,550	$ 1,031,556,600	$ 655,842,950
	9.745	8.683	9.393	8.212	9.367
	-	-	-	-	-
	9.745	8.683	9.393	8.212	9.367
	65.281	70.056	68.284	63.007	61.253
	72.527	72.316	69.221	64.500	65.765
	57.951	55.044	56.119	54.973	55.697
	$ 10,765,243	$ 7,862,912	$ 6,257,717	$ 8,494,941	$ 6,125,954
	-	-	-	-	-
	$ 10,765,243	$ 6,257,717	$ 8,494,941	$ 6,125,954	$ 6,357,971
	$ 4,553,829	$ 5,713,892	$ 7,715,385	$ 5,713,892	$ 8,158,569
	$ 181,080,830	$ 132,281,910	$ 206,311,320	$ 131,168,590	$ 138,382,588