

EL PASO COUNTY SCHOOL DISTRICT NO. 14

FINANCIAL STATEMENTS
With Independent Auditors' Report

Year Ended June 30, 2016



RECEIVED

By Justin L. Smith at 12:21 pm, Dec 14, 2016

**EL PASO COUNTY SCHOOL DISTRICT NO. 14
TABLE OF CONTENTS
JUNE 30, 2016**

	PAGE
INDEPENDENT AUDITORS' REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	<i>i</i>
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	6
Statement of Fiduciary Net Position	7
Notes to the Financial Statements	8
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of employer's share of net position liability and covered payroll	34
Schedule of employer's statutory payroll contributions and covered payroll	35
Statement of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual—General Fund	36
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES	
<i>General Fund:</i>	
Schedule of Revenue Compared to Budget	37
Schedule of Expenditures and Other Financing Uses Compared to Budget	38
<i>Bond Redemption Fund:</i>	
Schedule of Revenues, Expenditures and Changes in Fund Balance— Budget and Actual	41
<i>Non-major Governmental Funds:</i>	
Combining Balance Sheet	42
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	43

EL PASO COUNTY SCHOOL DISTRICT NO. 14
TABLE OF CONTENTS
JUNE 30, 2016

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES (CONTINUED)	PAGE
<i>Schedules of Revenues, Expenditures and Changes in Fund Balance—Budget and Actual</i>	
Food Service Fund	44
Designated-Purpose Grants Fund	45
Pupil Activity Fund	46
Capital Projects Fund	47
<i>Fiduciary Funds:</i>	
<i>Agency Fund:</i>	
Statement of Changes in Fiduciary Assets and Liabilities	48
 COLORADO SCHOOL DISTRICT/BOCES AUDITORS’ DATA INTEGRITY REPORT	
 Independent Auditors’ Report on Colorado School District/BOCES Auditors’ Integrity Report	
Colorado School District/BOCES Auditors’ Integrity Report	49
	50



INDEPENDENT AUDITORS' REPORT

To the Board of Education
El Paso County School District No. 14

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 14, as of June 30, 2016, 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.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 14's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 5, 2016

EL PASO COUNTY SCHOOL DISTRICT #14
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2016

As management of El Paso County School District #14 (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

Major Accounting Change

Governmental Accounting Standards Board (GASB) Statement No. 68 took effect last fiscal year. It requires the unfunded liability of the Colorado Public Employees Retirement Association (PERA) to be allocated to the financial statements of all PERA member governmental entities. The portion allocated to D14 exceeds \$27 million. This appears on paper to place the District in a negative position (as if the District would be responsible for somehow paying \$27 million in the event of PERA's default). In actuality, a default by PERA would impact current and future retirees in the form of reduced retirement benefits, so the District is unsure why this change was instituted. Our Statement of Net Position and Statement of Activities reflect the mandated accounting change.

FINANCIAL HIGHLIGHTS

- ◆ With the allocation of PERA's unfunded liability to the District per GASB 68, the District has a total net position of \$(11,343,313). This negative ending net position is directly related to the \$27,828,309 net pension (PERA) liability. Because the PERA unfunded liability so greatly skews net position of the district wide statements, the General Fund tends to provide a more accurate picture of financial results. At June 30, 2016, the General Fund reported an ending fund balance of \$3,696,686, which was 29.4% of total expenditures for the year. Unassigned fund balance was \$3,207,396, which may be used to meet the District's ongoing obligations.
- ◆ The largest operational portion of the District's net position is its \$8,617,305 investment in capital assets (equipment and facilities) net of accumulated depreciation and related debt.
- ◆ The District's debt from a Series 2011 General Obligation Bond totals \$3,445,000; this is scheduled to be paid off in the year 2020.
- ◆ Restricted Net Position of the District include \$1,258,842 for debt service obligations, and \$431,500 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements. Included in this review is a comparison to the previous year's activity for government-wide data.

The District's basic financial statements consist of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

District-wide Financial Statements

The *district-wide financial statements* are designed to provide readers with a broad overview of the District's finances as a whole, in a manner similar to a private-sector business and include two statements:

- 1) The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two 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.
- 2) The statement of activities presents information reporting how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Earned but unused vacation leave and accrued interest expense are examples of these types of items.

Fund Financial Statements

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

Governmental Funds: All of the District's basic services are included in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for the general fund and the bond redemption fund, which are considered major funds. Data from the additional governmental funds, the food service, designated purpose grants, activities, and capital projects fund, are combined into a single, aggregated presentation in the form of combining statements elsewhere in the report.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the District. The District maintains one fiduciary fund, the agency fund, which accounts for funds raised through school fundraisers, donations, scholarships, and mini-grants. Fiduciary funds are not reported in the district-wide financial statements, because the resources of those funds are not available for the support of the District's own programs.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for all funds except the agency fund. A budgetary comparison schedule has been provided for the general fund and all major special revenue funds to demonstrate compliance with the budget.

DISTRICT-WIDE FINANCIAL ANALYSIS

- 64.1% of the District's assets are its investment in capital assets (e.g. land, buildings, equipment). The District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the District's net position as of June 30, 2015 and 2016:

District-Wide Financial Statements

Condensed Statement of Net Position June 30, 2015-2016

	Governmental Activities		Business-Type Activities		Total	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
ASSETS						
Current Assets-Unrestricted	\$ 5,212,608	\$ 5,785,152	n/a	n/a	\$ 5,212,608	\$ 5,785,152
Current Assets-Restricted	\$ 1,223,055	\$ 1,225,741			\$ 1,223,055	\$ 1,225,741
Capital Assets	<u>\$12,988,709</u>	<u>\$12,524,364</u>			<u>\$12,988,709</u>	<u>\$12,524,364</u>
Total Assets	\$19,424,372	\$19,535,257			\$19,424,372	\$19,535,257
Deferred Outflows of Resources (pension related)						
	\$ 1,131,152	\$ 3,504,188			\$ 1,131,152	\$ 3,504,188
LIABILITIES						
Current Liabilities	\$ 1,628,630	\$ 1,586,923			\$ 1,628,630	\$ 1,586,923
Long Term Liabilities	\$ 5,052,051	\$ 4,240,407			\$ 5,052,051	\$ 4,240,407
Net Pension Liability	<u>\$24,746,906</u>	<u>\$27,828,309</u>			<u>\$24,746,906</u>	<u>\$27,828,309</u>
Total Liabilities	\$31,427,587	\$33,655,639			\$31,427,587	\$33,655,639
Deferred Inflows of Resources (pension related)						
		\$ 727,119				\$ 727,119
NET POSITION						
Net Investment in Capital Assets	\$ 8,277,215	\$ 8,617,305			\$ 8,277,215	\$ 8,617,305
Restricted	\$ 1,590,578	\$ 1,690,342			\$ 1,590,578	\$ 1,690,342
Unrestricted	<u>(\$20,739,856)</u>	<u>(\$21,650,960)</u>			<u>(\$20,739,856)</u>	<u>(\$21,650,960)</u>
* TOTAL NET POSITION	(\$10,872,063)	(\$11,343,313)	n/a	n/a	(\$10,872,063)	(\$11,343,313)

* Management note: see first item under Financial Highlights on page i for comment on Total Net Position

The following is a summary of the District's revenues, expenditures, and change in net position:

Condensed Statement of Activities
June 30, 2015-2016

	Governmental Activities		Business-Type Activities		Total	
	2014-15	2015-16	2014-15	2015-16	2014-15	2015-16
Revenues						
Program Revenues:						
Charges for Services	\$ 227,954	\$ 298,559	n/a	n/a	\$ 227,954	\$ 298,559
Oper. Grants/Contributions	\$ 1,068,006	\$ 989,444			\$ 1,068,006	\$ 989,444
Capital Grants/Contributions	\$ -	\$ -			\$ -	\$ -
General Revenues:						
Local Prop/SO Taxes	\$ 5,756,087	\$ 6,665,443			\$ 5,756,087	\$ 6,665,443
State Equalization	\$ 7,401,876	\$ 7,705,337			\$ 7,401,876	\$ 7,705,337
Investment Earnings	\$ 4,671	\$ 15,043			\$ 4,671	\$ 15,043
Miscellaneous	\$ 134,334	\$ 142,935			\$ 134,334	\$ 142,935
Gain (Loss) on Sale of Assets	\$ -	\$ -			\$ -	\$ -
Transfers	\$ -	\$ -			\$ -	\$ -
Total Revenues	\$14,592,928	\$15,816,761			\$14,592,928	\$15,816,761
(Expenses)						
and change in net assets						
Instruction	\$ (8,492,650)	\$ (8,001,640)			\$ (8,492,650)	\$ (8,001,640)
Athletics	\$ (432,009)	\$ (421,534)			\$ (432,009)	\$ (421,534)
Supporting Services:						
Student Support	\$ (853,165)	\$ (1,018,508)			\$ (853,165)	\$ (1,018,508)
Instructional Staff	\$ (748,499)	\$ (939,840)			\$ (748,499)	\$ (939,840)
General Admin	\$ (404,115)	\$ (522,252)			\$ (404,115)	\$ (522,252)
School Admin	\$ (1,351,788)	\$ (1,220,088)			\$ (1,351,788)	\$ (1,220,088)
Business Services	\$ (574,586)	\$ (559,350)			\$ (574,586)	\$ (559,350)
Operations & Maint.	\$ (1,563,745)	\$ (1,800,742)			\$ (1,563,745)	\$ (1,800,742)
Student Transportation	\$ (712,140)	\$ (626,236)			\$ (712,140)	\$ (626,236)
Central Support Serv.	\$ (200,310)	\$ (200,736)			\$ (200,310)	\$ (200,736)
Other Support Serv.	\$ (22,321)	\$ 8,098			\$ (22,321)	\$ 8,098
Food Services	\$ (403,065)	\$ (456,591)			\$ (403,065)	\$ (456,591)
Facilities Acquisition/construction	\$ (155,817)	\$ (132,687)			\$ (155,817)	\$ (132,687)
Interest on Long-Term Debt	\$ (108,537)	\$ (89,814)			\$ (108,537)	\$ (89,814)
Total Expenses	\$ (16,022,747)	\$ (15,981,920)			\$ (16,022,747)	\$ (15,981,920)
Change in Net Position	\$ (1,429,819)	\$ (165,159)			\$ (1,429,819)	\$ (165,159)
Beginning Net Position, as restated	\$ (9,442,244)	\$ (11,178,154)			\$ (9,442,244)	\$ (11,178,154)
Ending Net Position	\$ (10,872,063)	\$ (11,343,313)	n/a	n/a	\$ (10,872,063)	\$ (11,343,313)

The primary source of revenue for Colorado school districts comes from the Public School Finance Act (SFA) of 1994, as amended. Under the SFA the District received \$7,111.52 in 2014-15 and \$7,394.55 in 2015-16 in per pupil funding (PPF) for each full time equivalent (FTE) student. This was the first time in six years that PPF exceeded the \$7,192.80 received by the District in 2009-10. Normal funding for the SFA comes from property taxes, specific ownership taxes, and state equalization payments (which supplement the amount the district raises locally through property taxes and specific ownership taxes).

A “negative factor” applied to state equalization in recent years has prevented the District from receiving its full per pupil funding amount; this decrease in state funding has been caused by the legislature’s need to comply with the Colorado constitution, which requires a balanced budget, so the state has not paid the District what it is owed by the SFA funding formula. This decrease in state funding to the District was \$1,427,675 in 2015-16, and totals \$9,177,623 since the 2008-2009 school year. An additional decrease in state funding of \$1,405,498 is projected for 2016-2017, bringing the total to over \$10.5 million in cuts.

The District is fortunate that its voters have approved three mill levy overrides (MLO’s); the most recent override was passed in November 2015, and increased the override amount from \$1,900,000 to \$3,700,000. The district will not collect this amount until 2021, after it pays off its bond in 2020. Until then, the district anticipates MLO revenue of \$2.6 to \$3.0 million per year. These overrides were passed to attract and retain personnel, and to maintain and upgrade the district’s buildings, equipment and grounds. Since the “negative factors” have begun, the overrides have served the purpose of offsetting these reductions in state funding.

ANALYSIS OF THE DISTRICT’S FUNDS

Major Governmental Funds

The **general fund** is the primary operating fund of the District. The fund balance for the general fund was \$3,215,718 at the start of the fiscal year and \$3,696,686 at the end, an increase of \$480,968. A \$3.7 million fund balance is rather large for a school district the size of Manitou if there was an expectation of year-to-year increases in PPF; this remains an uncertainty as long as the negative factors continue.

The management decision will be to determine how long the funding problems for the state will continue, whether the funding reductions will grow larger, and therefore what amount the district should keep in its fund balance. The MLO’s place the District in a better position to deal with this uncertainty.

The District maintains an **insurance fund** within the general fund for the expenses associated with its risk related activities. The insurance fund balance increased from \$29,402 during the year to \$36,965 (this is in addition to the general fund balance).

The **bond redemption fund** exists to service the repayment of the District’s general obligation construction bond (Series 2001 originally issued for \$8,500,000), which was refunded during 2010-11 and replaced with a Series 2011 Bond. There was a final payment on the 2001 bond during 2011-12. The remaining principal balance as of June 30, 2016 was \$3,445,000 for the 2011 bond; fund balance for the bond redemption fund as of the same date was \$1,258,842.

Non-major Governmental Funds

Information for additional governmental funds is aggregated and reported as non-major governmental funds on the balance sheet, and the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the required supplementary information section of this report. Included in the District’s non-major governmental funds are the food service fund, the designated purpose grants fund, the activity fund, and the capital projects fund.

The **food service fund** is used to account for all financial activities associated with the school breakfast and lunch programs. Revenues come primarily from charges for meals, state matching funds, and reimbursements under the Federal Child Nutrition Act. Revenues during the year were \$371,670; in addition there were transfers from the general fund totaling \$100,000 to supplement revenues. Net position increased by \$16,870 during the year to \$59,053.

The **governmental designated purpose grants fund** maintains separate accounts for each federal, state, and local grant funded program. Grant funds are awarded for a specific use as defined in the grant application and can only be used for the purposes for which they were granted, primarily to improve student achievement. The District received \$245,409 in grants revenue during the year.

The **activity fund** accounts for salaries and benefits for activity sponsors, athletic coaches, game staff, athletic and safety equipment, and game expenses (including travel to out-of-town events and officials for home games). Revenues from gate receipts, season tickets, and fund raising amounted to \$115,708 during the year. An operating transfer from the General Fund in the amount of \$465,000 provided the bulk of funds required to run the various programs. Ending fund balance increased by \$42,052 during the year to \$118,477.

The **capital projects fund** for the District is funded by an allocation from the general fund and provides for the purchase of capital equipment and building/site improvements. The ending fund balance is \$97,949.

Fiduciary Funds

Fiduciary funds are not reported in the district-wide financial statements. The District's **trust and agency fund** was created to act as a custodian or fiduciary for student activities and teacher mini-grants through the Manitou Springs Education Foundation (MSEF). Deposits to this fund consist of donations, grants, student fundraisers and vending machine receipts, and totaled \$479,485 for FY16; disbursements totaled \$402,854. Ending balance in this fund was \$367,632.

BUDGETARY HIGHLIGHTS

The District's budget is prepared in accordance with state law. The most significant budgeted fund is the general fund. The District must keep in mind the uncertain economic conditions in the state, which may require the continued use of override funds and the district's large fund balance to offset possible reductions in per pupil funding from the state.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, buildings, improvements, machinery, vehicles, equipment, and any construction in progress. The District's investment in capital assets for its governmental activities at the end of the year was \$12,524,364, net of accumulated depreciation.

Debt Administration

At the end of FY16, the District had \$3,445,000 of long term debt outstanding; \$640,000 in principal and \$121,800 in interest payments are due in FY17.

ECONOMIC FACTORS

Normal funding changes for school districts in Colorado are limited to inflation plus population growth. Inflation is determined by the consumer price index for the Denver-Boulder area, and that rate is applied to the amount of per pupil funding for an FTE student. Population growth is defined by the change in the number of students attending the school district. The largest component of per pupil funding for Manitou is state equalization paid by the state of Colorado; a decrease in state revenues led to reductions in PPF in recent years. The District has been able to offset some of these reductions in state equalization funding by an increase in student enrollment.

The student population in recent years is as follows:

1,376 students (1,311.2 FTE) in 2008-09
1,405 students (1,337.0 FTE) in 2009-10
1,418 students (1,343.7 FTE) in 2010-11
1,510 students (1,434.5 FTE) in 2011-12
1,500 students (1,429.7 FTE) in 2012-13
1,480 students (1,422.3 FTE) in 2013-14
1,458 students (1,429.9 FTE) in 2014-15
1,492 students (1,438.6 FTE) in 2015-16

The preliminary count for 2016-17 is 1,494 students (1,434.9 FTE). District enrollment was affected by the Waldo Canyon Fire, which took place in the summer of 2012, and the extensive “burn scar runoff” flooding throughout the summer of 2013. During the fire, all communities in the District were faced with mandatory evacuations. The flooding caused the district to be “cut in half” for extended periods by the closure of Ute Pass, and continued into the 2013-14 school year, with the district having to close for “rain/flood” days twice in September 2013. Some families chose to move away from the district because of the natural disasters. Now that extensive flood mitigation work has been completed, families are moving back to the district.

Also note that enrollment has remained strong despite the District’s “landlocked” location with mountains on one side and the city of Colorado Springs (and other school districts) on the other. There is little available land for the development of new housing areas that would bring an increasing number of students; the overall increase is a result of students “choicing” into the District from surrounding school districts.

REQUESTS FOR INFORMATION

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 the Assistant Superintendent, Manitou Springs School District 14, 405 El Monte Place, Manitou Springs, CO 80829.

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 5,153,726
Receivables	448,565
Receivable from agency fund	117,334
Inventories	65,527
Restricted cash and cash equivalents	1,225,741
Capital assets, not being depreciated	1,314,593
Capital assets, net of depreciation	<u>11,209,771</u>
Total assets	<u>19,535,257</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	<u>3,504,188</u>
Total deferred outflows of resources	<u>3,504,188</u>
LIABILITIES	
Accounts payable	79,734
Accrued salaries and benefits	1,439,120
Accrued interest payable	22,792
Unearned revenue	45,277
Long-term liabilities	
Due within one year	
Long-term debt	771,996
Due in more than one year	
Compensated absences	333,348
Long-term debt	3,135,063
Net pension liability	<u>27,828,309</u>
Total liabilities	<u>33,655,639</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	<u>727,119</u>
Total deferred inflows of resources	<u>727,119</u>
NET POSITION	
Net investment in capital assets	8,617,305
Restricted for:	
Emergency reserve (TABOR)	431,500
Debt service	1,258,842
Unrestricted	<u>(21,650,960)</u>
Total net position	<u><u>\$ (11,343,313)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Instruction	\$ 8,001,640	\$ 75,987	\$ 594,651	\$ (7,331,002)
Athletics	421,534	68,373	-	(353,161)
Supporting services				
Student support	1,018,508	-	54,000	(964,508)
Instructional staff	939,840	-	-	(939,840)
General administration	522,252	-	-	(522,252)
School administration	1,220,088	-	-	(1,220,088)
Business services	559,350	-	-	(559,350)
Operations and maintenance	1,800,742	-	-	(1,800,742)
Student transportation services	626,236	-	125,406	(500,830)
Central support services	200,736	-	-	(200,736)
Other support services	(8,098)	-	-	8,098
Food service operations	456,591	154,199	215,387	(87,005)
Facilities acquisition and construction	132,687	-	-	(132,687)
Interest on long-term debt	89,814	-	-	(89,814)
Total governmental activities	<u>\$ 15,981,920</u>	<u>\$ 298,559</u>	<u>\$ 989,444</u>	<u>(14,693,917)</u>
General revenues:				
				6,028,533
				636,910
				7,705,337
				15,043
				142,935
				<u>14,528,758</u>
				(165,159)
Net position - beginning, as restated				<u>(11,178,154)</u>
Net position - ending				<u><u>\$ (11,343,313)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

	General Fund	Bond Redemption Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 5,067,422	\$ -	\$ 86,303	\$ 5,153,725
Receivables	369,568	55,928	23,070	448,566
Due from other funds	-	-	170,617	170,617
Receivable from agency fund	3,985	-	113,349	117,334
Inventories	57,790	-	7,737	65,527
Restricted cash and cash equivalents	-	1,225,741	-	1,225,741
Total assets	<u>\$ 5,498,765</u>	<u>\$ 1,281,669</u>	<u>\$ 401,076</u>	<u>\$ 7,181,510</u>
LIABILITIES				
Accounts payable	\$ 74,150	\$ -	\$ 5,584	\$ 79,734
Accrued salaries and benefits	1,364,384	-	74,736	1,439,120
Due to other funds	170,617	-	-	170,617
Unearned revenue	-	-	45,277	45,277
Total liabilities	<u>1,609,151</u>	<u>-</u>	<u>125,597</u>	<u>1,734,748</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue-property taxes	<u>155,963</u>	<u>22,827</u>	<u>-</u>	<u>178,790</u>
FUND BALANCES				
Nonspendable	57,790	-	7,737	65,527
Restricted for:			-	
Emergency reserve (TABOR)	431,500	-	-	431,500
Debt service	-	1,258,842	-	1,258,842
Assigned:			-	
Subsequent years' insurance claims	36,965	-	-	36,965
Pupil activities	-	-	118,477	118,477
Capital projects	-	-	97,949	97,949
Food service activities	-	-	51,316	51,316
Unassigned	<u>3,207,396</u>	<u>-</u>	<u>-</u>	<u>3,207,396</u>
Total fund balances	<u>3,733,651</u>	<u>1,258,842</u>	<u>275,479</u>	<u>5,267,972</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,498,765</u>	<u>\$ 1,281,669</u>	<u>\$ 401,076</u>	<u>\$ 7,181,510</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016

Total Fund Balance, Governmental Funds	\$	5,267,972
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position.		12,524,364
Certain property tax receivable is not available to pay current period expenditures and therefore is not reported in the funds, but is reported in the governmental activities of the Statement of Net Position.		178,790
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		3,504,188
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.		(22,792)
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds		(27,828,309)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows in the funds.		(727,119)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		<u>(4,240,407)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>(11,343,313)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES				
Local sources	\$ 6,038,041	\$ 775,314	\$ 271,972	\$ 7,085,327
State sources	8,059,464	-	4,965	8,064,429
Federal sources	203,608	-	455,831	659,439
Total revenues	<u>14,301,113</u>	<u>775,314</u>	<u>732,768</u>	<u>15,809,195</u>
EXPENDITURES				
Instruction	7,039,663	-	305,638	7,345,301
Athletics			394,717	394,717
Supporting services	5,722,919	-	455,285	6,178,204
Food service operations	-	-	454,781	454,781
Facilities acquisition and construction	-	-	61,332	61,332
Debt service				
Principal	-	630,000	-	630,000
Interest and fiscal charges	-	141,550	-	141,550
Total expenditures	<u>12,762,582</u>	<u>771,550</u>	<u>1,671,753</u>	<u>15,205,885</u>
Excess (deficiency) of revenues over expenditures	<u>1,538,531</u>	<u>3,764</u>	<u>(938,985)</u>	<u>603,310</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	1,050,000	1,050,000
Transfers out	<u>(1,050,000)</u>	<u>-</u>	<u>-</u>	<u>(1,050,000)</u>
Total other financing sources (uses)	<u>(1,050,000)</u>	<u>-</u>	<u>1,050,000</u>	<u>-</u>
Net change in fund balances	488,531	3,764	111,015	603,310
Fund balances - beginning	<u>3,245,120</u>	<u>1,255,078</u>	<u>164,464</u>	<u>4,664,662</u>
Fund balances - ending	<u>\$ 3,733,651</u>	<u>\$ 1,258,842</u>	<u>\$ 275,479</u>	<u>\$ 5,267,972</u>

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

Net Change in Fund Balances - Total Governmental Funds	\$	603,310
--	----	---------

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		(459,255)
--	--	-----------

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold.		(5,090)
---	--	---------

Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.		9,943
--	--	-------

Expenses reported in the statement of activities for the net pension liability do not require the use of current financial resources and, therefore, are not reported in the funds.		(1,129,395)
---	--	-------------

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.		804,435
---	--	---------

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. This amount represents the net effect of compensated absences payable on the Statement of Activities.		7,209
--	--	-------

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		3,684
---	--	-------

Change in Net Position of Governmental Activities	\$	<u>(165,159)</u>
---	----	------------------

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF FIDUCIARY NET POSITION
AGENCY FUND
JUNE 30, 2016

ASSETS	
Cash and cash equivalents	\$ 485,438
	<hr/>
Total assets	485,438
	<hr/>
LIABILITIES	
Accounts payable	472
Payable to primary government	117,334
Payable to student organizations	367,632
	<hr/>
Total liabilities	485,438
	<hr/>
NET POSITION	\$ -
	<hr/> <hr/>

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

NOTES TO FINANCIAL STATEMENTS

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of El Paso County School District No. 14 (the District), Manitou Springs, Colorado, conform to generally accepted accounting policies as applicable to governments.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the District are discussed below.

A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. REPORTING ENTITY

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The District has no component units for which either discrete or blended presentation is required.

C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Included in the General Fund presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

The *Debt Service Fund* accounts for the servicing of long-term debt not being financed by the capital reserve or other funds.

Additionally, the District reports the following fund types:

Special Revenue Funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. This fund receives subsidies from the General fund.

The *Capital Projects Fund* is used to account for significant capital expenditures of the District.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

Fiduciary Funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District has one fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE

Cash and cash equivalents

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Surplus or temporary surplus money in each separate fund may be invested, but no mixing between funds is allowed. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables

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

Inventory

Inventory is valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt.

Restricted cash and cash equivalents

The use of certain cash and cash equivalents of the District is restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Capital Assets

Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 are depreciated over the remaining useful lives of the related capital assets, as applicable.

Buildings, improvements, vehicles, and equipment of the government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	15 - 50 years
Site improvements	20 - 50 years
Transportation	10 - 15 years
Equipment	5 - 10 years

Pensions

El Paso County School District No. 14 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.

Deferred outflows/inflows of resources

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources (continued)

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

Long-term liabilities

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

Net position flow assumption

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance flow assumption

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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

G. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all taxes.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Compensated Absences

Sick Pay: Under the District's policies, all employees earn annual sick leave based upon their employment status as either a nine month or twelve month employee. All full time employees with at least five years of continuous service are eligible to receive upon resignation, termination, retirement or death, prorated payment of their accumulated annual sick leave.

The District has recorded the accrued liability for the sick pay in the accompanying financial statements. Unpaid liability for the sick pay for the governmental funds is recorded in the government-wide financial statements.

Vacation Pay: The District has recorded the accrued liability for the dollar value of accumulated unpaid vacation that will be paid to employees upon separation from District service.

The current portion of this liability represents the amounts that would be liquidated with expendable available financial resources and would be recorded in the General Fund. The current portion is not material. Therefore, a liability of these benefits has not been reflected in these statements.

H. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds”. The details of this difference are as follows:

Capital assets, not being depreciated	\$ 1,314,593
Capital assets, net of depreciation	<u>11,209,771</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 12,524,364</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (3,445,000)
Unamortized bond premium	(192,206)
Capital leases	(269,853)
Compensated absences	<u>(333,348)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (4,240,407)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances—governmental funds* and *change in net position—governmental activities* as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The details of this difference are as follows:

Depreciation	\$ (709,913)
Capital outlays	<u>250,658</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (459,255)</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS
(CONTINUED)**

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position”. The details of this difference are as follows:

Amortization	\$	48,052
Principal on bonds		630,000
Principal on leases		<u>126,383</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	\$	<u>804,435</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

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

1. At the May board meeting of the Board of Education, the Assistant Superintendent and Superintendent of Schools submit to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Education.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds.
6. Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in this report are as originally adopted or amended.
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

NOTE 4 – DEPOSITS AND INVESTMENTS

DEPOSITS

Custodial Credit Risk: Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

DEPOSITS (CONTINUED)

The carrying amount of the District’s deposits at June 30, 2016 was \$1,017,036 and the bank balances were \$1,127,089. Of the bank balances, \$258,978 was covered by federal deposit insurance and \$868,111 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

INVESTMENTS

The District is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At June 30, 2016 the District’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	<u>\$ 5,847,869</u>

Credit Risk: State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of June 30, 2016 all of the District’s investments were rated AAAM by Standard & Poor’s.

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 5 – RECEIVABLES

Receivables as of year end for the government’s individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Bond Redemption</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables:				
Property tax	\$ 369,568	\$ 55,928	\$ -	\$ 425,496
Grant proceeds	_____ -	_____ -	_____ 23,070	_____ 23,070
Total	<u>\$ 369,568</u>	<u>\$ 55,928</u>	<u>\$ 23,070</u>	<u>\$ 448,566</u>

The District expects uncollectible amounts to be insignificant; accordingly, no allowance for uncollectible accounts has been made.

NOTE 6 – TAXES

PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The El Paso County Treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2016 is 45.361 mills for general operating expenses and 6.639 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2016 is \$116,122,830.

SPECIFIC OWNERSHIP TAXES

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District’s assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Receivables and Payables

All interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2016 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Fund	General Fund	\$ 62,456
Pupil Activity Fund	General Fund	4,629
Capital Projects Fund	General Fund	<u>103,532</u>
Total		<u>\$ 170,617</u>

Transfers

Interfund transfer activity for the year ended June 30, 2016 is as follows:

<u>Transfers In</u>	<u>Transfers out</u>
	<u>General Fund</u>
Non-major Gov’t Funds	<u>1,050,000</u>
Total	<u>\$ 1,050,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>06/30/15</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/16</u>
<i>Governmental Activities</i>				
Non-depreciable assets:				
Sites	\$ 1,155,307	\$ -	\$ -	\$ 1,155,307
Construction in progress	<u>-</u>	<u>159,286</u>	<u>-</u>	<u>159,286</u>
Total non-depreciable assets	<u>1,155,307</u>	<u>159,286</u>	<u>-</u>	<u>1,314,593</u>
Depreciable assets:				
Site improvements	3,328,564	27,000	10,190	3,345,374
Buildings	18,204,973	5,388	78,295	18,132,066
Transportation	1,260,512	14,750	102,955	1,172,307
Equipment	<u>1,671,421</u>	<u>44,234</u>	<u>7,702</u>	<u>1,707,953</u>
Total depreciable assets	<u>24,465,470</u>	<u>91,372</u>	<u>199,142</u>	<u>24,357,700</u>
Less accumulated depreciation for:				
Site improvements	1,354,616	159,763	5,100	1,509,279
Buildings	8,969,565	407,027	78,295	9,298,297
Transportation	885,804	66,631	102,955	849,480
Equipment	<u>1,422,083</u>	<u>76,492</u>	<u>7,702</u>	<u>1,490,873</u>
Total accumulated depreciation	<u>12,632,068</u>	<u>709,913</u>	<u>194,052</u>	<u>13,147,929</u>
Total depreciable assets, net	<u>11,833,402</u>	<u>(618,541)</u>	<u>(5,090)</u>	<u>11,209,771</u>
<i>Governmental activities, net</i>	<u>\$ 12,988,709</u>	<u>\$ (459,255)</u>	<u>\$ (5,090)</u>	<u>\$ 12,524,364</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Instruction	\$ 367,730
Athletics	33,891
School administration	1,742
Operations and maintenance	131,310
Student transportation	2,896
Central	37,847
Facilities acquisition	132,687
Food service operations	<u>1,810</u>
	<u>\$ 709,913</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 9 – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, are \$1,439,120 in the governmental funds. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 10 - LONG-TERM LIABILITIES

GENERAL OBLIGATION BONDS

Principal
Balance

2011 refunding bonds were issued on June 7, 2011 to advance refund the District's outstanding 2001 building bonds. Principal is due annually on November 1 beginning in 2012 through 2020. Interest is due semi-annually on November 1 and May 1 and accrue at an annual interest rate between 2.0% and 4.0%.

\$ 3,445,000

The last bond election for the District was in 2000 when the voters approved the issuance of \$8,500,000 of general obligation bonds, of which \$8,500,000 has been issued.

There is \$1,258,842 available in the Debt Service Fund to service the general obligation building bonds.

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

<u>Fiscal Year Ending June 30</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2017	640,000	121,800
2018	660,000	99,000
2019	685,000	72,100
2020	715,000	44,100
2021	745,000	14,900
Total	<u>\$ 3,445,000</u>	<u>\$ 351,900</u>

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

CAPITAL LEASES

District-wide Energy Project

The District entered into a lease as lessee on May 31, 2006 for energy improvements to the facilities with a cost of \$1,980,407. This lease qualifies as a capital lease. The lease requires semi-annual payments of \$71,208 beginning November 22, 2006 through May 22, 2018. Upon full satisfaction of the lease, the ownership of the improvements will transfer to the District.

Computer Equipment

The District entered into a lease as lessee on July 26, 2008 for computer equipment with a cost of \$200,000. This lease qualifies as a capital lease. The lease requires annual payments of \$51,487 beginning July 26, 2008 through July 26, 2011. Upon full satisfaction of the lease, the ownership of the equipment was transferred to the District.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 200,000
Site Improvements	1,980,407
Less: Accumulated depreciation	<u>(1,130,995)</u>
Total	<u>\$ 1,049,412</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2016, were as follows:

	<u>Year Ending June 30</u>
2017	\$ 142,415
2018	<u>142,416</u>
Total minimum lease payments	284,831
Less : amount representing interest	<u>(14,978)</u>
Present value of minimum lease payments	<u>\$ 269,853</u>

COMPENSATED ABSENCES

Accrued sick leave for all the District's full time employees totals \$333,348. The sick leave is payable upon retirement for all full time employees with at least five years of continuous service with the District who are approved for their PERA retirement.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)

CHANGES IN LONG-TERM LIABILITIES

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2016:

	<u>Balance</u> <u>06/30/15</u>	<u>Debt Issued</u> <u>And Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/16</u>	<u>Due Within</u> <u>One year</u>
Bonds payable:					
General obligation bonds	\$ 4,075,000	\$ -	\$ 630,000	\$ 3,445,000	\$ 640,000
Unamortized bond premium	<u>240,258</u>	<u>-</u>	<u>48,052</u>	<u>192,206</u>	<u>-</u>
	4,315,258	-	678,052	3,637,206	630,000
Capital leases payable	<u>396,236</u>	<u>-</u>	<u>126,383</u>	<u>269,853</u>	<u>131,996</u>
Total bond and capital leases	4,711,494	-	804,435	3,907,059	771,996
Compensated absences	<u>340,557</u>	<u>-</u>	<u>7,209</u>	<u>333,348</u>	<u>-</u>
 Total	 <u>\$ 5,052,051</u>	 <u>\$ 32,740</u>	 <u>\$ 811,644</u>	 <u>\$ 4,240,407</u>	 <u>\$ 771,996</u>

NOTE 11 – OPERATING LEASE

On October 10, 2010 the District entered into a lease for copiers which qualifies as an operating lease. The lease term terminated on January 27, 2016. The lease requires payments of \$2,996 per month. The rental expense for the year ended June 30, 2016 was \$17,972.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; general liability; unemployment; and employee benefit expenses related to health programs.

The District is provided with property and liability insurance through the Colorado School Districts Self Insurance Pool. The District carries commercial insurance for worker's compensation and medical coverage. Settled claims resulting from these risks have not exceeded the insurance coverage for each of the past three years.

Colorado School Districts Self Insurance Pool

The District is a member of the Colorado School Districts Self Insurance Pool (the Pool), which operates as a self insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The board of the Pool is selected by member entities. The District pays an annual premium to the Pool for its general property and liability coverage.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Grants

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant.

NOTE 14 – JOINTLY GOVERNED ORGANIZATION

Ute Pass Board of Cooperative Educational Services

The District participates in the Ute Pass Board of Cooperative Educational Services (BOCES). The District has two members on a five member board. This board has final authority for all budgeting and financing of the joint venture.

The District’s share of annual contributions to the joint venture was approximately 30% for the year ended June 30, 2015. Audited financial information for the joint venture as of June 30, 2015 (latest information available) is as follows:

Assets	\$	205,727
Liabilities		<u>194,089</u>
Net position	\$	<u>11,638</u>
Revenues	\$	2,034,737
Expenditures		<u>2,034,168</u>
Change in net position	\$	<u>569</u>

Complete financial statements for the BOCES can be obtained from their office at 405 El Monte Place, Manitou Springs, Colorado 80829.

NOTE 15 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the El Paso County School District No. 14 are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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.

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 El Paso County School District No. 14 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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 El Paso County School District No. 14 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 14 were \$1,459,807 for the year ended June 30, 2016.

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

At June 30, 2016, the El Paso County School District No. 14 reported a liability of \$27,828,309 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The El Paso County School District No. 14 proportion of the net pension liability was based on El Paso County School District No. 14 contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the El Paso County School District No. 14's proportion was 0.1819522308 percent, which was a decrease of 0.0006364989 from its proportion measured as of December 31, 2014.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2016, the El Paso County School District No. 14 recognized pension expense of \$2,589,132. At June 30, 2016, the El Paso County School District No. 14 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 367,476	\$ 1,159
Changes of assumptions or other inputs	-	393,262
Net difference between projected and actual earnings on pension plan investments	2,366,187	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	10,812	332,698
Contributions subsequent to the measurement date	759,713	-
Total	\$ 3,504,188	\$ 727,119

\$759,713 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, 2017. 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:	
2017	\$439,720
2018	\$486,175
2019	\$606,245
2020	\$485,216

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 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

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF's long-term expected rate of return on pension plan investments was determined using 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 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 3.90%.
- 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, 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.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 15 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the El Paso County School District No. 14 proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$36,073,622	\$27,828,309	\$20,969,747

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

NOTE 16 – POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan description. The El Paso County School District No. 14 contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 16 – POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Funding policy. The El Paso County School District No. 14 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the El Paso County School District No. 14 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014 the El Paso County School District No. 14 contributions to the HCTF were \$83,947, \$79,390, and \$76,519, respectively, equal to their required contributions for each year.

NOTE 17 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

Fiscal year spending and revenue limits are determined based on the prior years' spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 3, 1998 the voters of the District authorized the District to collect, retain and expend all revenues from all sources in the fiscal year ended June 30, 1999 and subsequent years, notwithstanding any state restriction on fiscal year spending, including, without limitation, the restrictions of Article X, Section 20, of the Colorado Constitution.

On November 7, 2000 the voters of the District allowed the District to increase property taxes \$900,000 annually, stipulating that the District's total mill levy for all purposes shall not exceed 48.50 mills for fiscal year 2000-2001, 50.00 mills for fiscal year 2001-2002 and 52.00 mills for fiscal year 2002-2003 and thereafter.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 18 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)

On November 7, 2000 the voters of the District allowed the District to increase debt by \$8,500,000 with a repayment cost of \$17,842,375 for capital construction purposes of the District. The District also allowed taxes to be increased \$1,004,250 annually to pay off the above debt.

On November 7, 2006 the voters of the District allowed the District to raise taxes up to \$1,000,000 annually, stipulating that the District's mill levy for all purposes shall not exceed 49.00 mills for fiscal year 2007-2008 and thereafter.

On November 3, 2015 the voters of the District allowed the District to raise taxes by \$1,800,000 in the 2016 collection year, and by such amounts as may be collected annually thereafter, stipulating that the District's mill levy for all purposes shall not exceed 52.00 mills in any collection year, unless otherwise authorized by law.

The District levied 52.000 and 47.555 mills for property taxes to be collected in collection year 2016 and 2015, respectively.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. Emergency Reserves totaling \$431,500 have been presented as a reservation of fund balance in the General Fund.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 19 – PRIOR PERIOD ADJUSTMENT

During the year, it was determined that certain pension outflows and inflows totaling \$306,091 were not included in the statement of net position. To correct this oversight, the beginning net position for the governmental activities of a deficit \$10,872,063, as originally reported, has been decreased to a deficit \$11,178,154.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	0.1870610113%	0.1825887297%	0.1819522308%
District's proportionate share of the net pension liability (asset)	\$ 23,859,581	\$ 24,746,906	\$ 27,828,309
District's covered-employee payroll	\$ 7,541,025	\$ 7,649,158	\$ 7,929,437
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

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

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2016

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 1,171,121	\$ 1,256,757	\$ 1,374,171
Contributions in relation to the contractually required contribution	<u>(1,171,121)</u>	<u>(1,256,757)</u>	<u>(1,374,171)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 7,541,025	\$ 7,649,158	\$ 7,929,437
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

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

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	\$ 5,136,658	\$ 5,855,027	\$ 6,038,041	\$ 183,014
State sources	7,900,763	8,027,283	8,059,464	32,181
Federal sources	138,550	196,722	203,608	6,886
Total revenues	<u>13,175,971</u>	<u>14,079,032</u>	<u>14,301,113</u>	<u>222,081</u>
EXPENDITURES				
Instruction	6,911,925	7,210,237	7,039,663	170,574
Supporting services				
Student support	723,296	811,850	791,159	20,691
Instructional staff	633,178	672,411	655,274	17,137
General administration	370,381	380,224	370,534	9,690
School administration	1,166,660	1,133,932	1,105,032	28,900
Business services	480,039	496,292	483,643	12,649
Operations and maintenance	1,511,979	1,624,053	1,582,662	41,391
Student transportation	632,542	609,950	594,405	15,545
Central support service	180,973	157,410	153,398	4,012
Other support services	-	-	(13,188)	13,188
Contingency reserves	2,901,404	3,177,793	-	3,177,793
Total expenditures	<u>15,512,377</u>	<u>16,274,152</u>	<u>12,762,582</u>	<u>3,511,570</u>
Excess (deficiency) of revenues over expenditures	<u>(2,336,406)</u>	<u>(2,195,120)</u>	<u>1,538,531</u>	<u>3,733,651</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(815,000)</u>	<u>(1,050,000)</u>	<u>(1,050,000)</u>	<u>-</u>
Net change in fund balances	<u>(3,151,406)</u>	<u>(3,245,120)</u>	<u>488,531</u>	<u>3,733,651</u>
Fund balances - beginning	<u>3,151,406</u>	<u>3,245,120</u>	<u>3,245,120</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,733,651</u>	<u>\$ 3,733,651</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND
SCHEDULES**

GENERAL FUND

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund of the District.

Included in this presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

The General Fund is deemed to be a major fund for financial reporting purposes.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUE COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUE FROM LOCAL SOURCES			
Local property taxes	\$ 5,234,458	\$ 5,246,692	\$ 12,234
Specific ownership taxes	569,569	636,911	67,342
Earnings on investments	6,000	11,627	5,627
Other local sources	45,000	142,811	97,811
Total Revenue from Local Sources	<u>5,855,027</u>	<u>6,038,041</u>	<u>183,014</u>
REVENUE FROM STATE SOURCES			
State equalization	7,694,711	7,705,338	10,627
Vocational education	37,000	37,324	324
Transportation	123,650	125,406	1,756
Special education	11,787	21,787	10,000
Other state sources	160,135	169,609	9,474
Total Revenue from State Sources	<u>8,027,283</u>	<u>8,059,464</u>	<u>32,181</u>
Total Revenue from Federal Sources	<u>196,722</u>	<u>203,608</u>	<u>6,886</u>
Total Revenue	<u>\$ 14,079,032</u>	<u>\$ 14,301,113</u>	<u>\$ 222,081</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
INSTRUCTION			
Salaries	\$ 4,869,335	\$ 4,754,141	\$ 115,194
Employee benefits	1,833,592	1,790,214	43,378
Purchased services	138,262	134,991	3,271
Supplies	321,560	313,953	7,607
Capital outlay	44,497	43,444	1,053
Other expenses	2,991	2,920	71
Total Instruction	7,210,237	7,039,663	170,574
SUPPORTING SERVICES			
Student support:			
Salaries	569,709	555,190	14,519
Employee benefits	172,049	167,664	4,385
Purchased services	18,791	18,312	479
Supplies	50,246	48,965	1,281
Capital outlay	1,055	1,028	27
Total Student Support	811,850	791,159	20,691
Instructional Staff:			
Salaries	340,426	331,750	8,676
Employee benefits	89,685	87,399	2,286
Purchased services	127,308	124,063	3,245
Supplies	14,728	14,353	375
Capital outlay	100,264	97,709	2,555
Total Instructional Staff	\$ 672,411	\$ 655,274	\$ 17,137

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
General Administration:			
Salaries	\$ 208,948	\$ 203,623	\$ 5,325
Employee benefits	53,184	51,829	1,355
Purchased services	94,104	91,706	2,398
Supplies	21,925	21,366	559
Other expenses	2,063	2,010	53
Total General Administration	<u>380,224</u>	<u>370,534</u>	<u>9,690</u>
School Administration:			
Salaries	852,901	831,163	21,738
Employee benefits	230,997	225,110	5,887
Purchased services	35,186	34,289	897
Supplies	14,848	14,470	378
Total School Administration	<u>1,133,932</u>	<u>1,105,032</u>	<u>28,900</u>
Business Services:			
Salaries	301,343	293,663	7,680
Employee benefits	87,905	85,665	2,240
Purchased services	75,048	73,135	1,913
Supplies	19,223	18,733	490
Capital outlay	12,773	12,447	326
Total Business Services	<u>496,292</u>	<u>483,643</u>	<u>12,649</u>
Operations and Maintenance:			
Salaries	606,539	591,081	15,458
Employee benefits	201,894	196,749	5,145
Purchased services	327,225	318,884	8,341
Supplies	342,256	333,533	8,723
Other expenses	146,139	142,415	3,724
Total Operations and Maintenance	<u>\$ 1,624,053</u>	<u>\$ 1,582,662</u>	<u>\$ 41,391</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF EXPENDITURES AND OTHER FINANCING
USES COMPARED TO BUDGET
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
Student Transportation:			
Salaries	\$ 316,477	\$ 308,411	\$ 8,066
Employee benefits	119,010	115,977	3,033
Purchased services	118,826	115,798	3,028
Supplies	97,484	95,000	2,484
Capital outlay	7,949	7,746	203
Other expenses	(49,796)	(48,527)	(1,269)
Total Student Transportation	609,950	594,405	15,545
Central Support Services:			
Purchased services	157,410	153,398	4,012
Total Central Support Services	157,410	153,398	4,012
Other Support Services:			
Employee benefits	-	(13,188)	13,188
Total Other Support Services	-	(13,188)	13,188
Total Supporting Services	5,886,122	5,722,919	163,203
CONTINGENCY RESERVES	3,177,793	-	3,177,793
OTHER FINANCING USES			
Transfers out	1,050,000	1,050,000	-
Total Expenditures and Other Financing Uses	\$ 17,324,152	\$ 13,812,582	\$ 3,511,570

See the accompanying independent auditors' report.

DEBT SERVICE FUND

The Debt Service Fund was created to account for resources to be used to service general obligation long-term debt. The District has the following Debt Service Fund:

Bond Redemption Fund

This fund will account for the restricted general obligation property tax used to finance principal and interest payments on the bonds.

For financial reporting purposes, the Bond Redemption Fund was determined to be a major fund of the District for the current fiscal year.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
BOND REDEMPTION FUND
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local property taxes	\$ 770,350	\$ 771,898	\$ 1,548
Interest income	1,500	3,416	1,916
Total revenues	<u>771,850</u>	<u>775,314</u>	<u>3,464</u>
EXPENDITURES			
Debt Service:			
Principal	630,000	630,000	-
Interest and other charges	141,850	141,550	300
Contingency reserves	<u>1,255,078</u>	<u>-</u>	<u>1,255,078</u>
Total expenditures	<u>2,026,928</u>	<u>771,550</u>	<u>1,255,378</u>
Excess (deficiency) of revenues over expenditures	<u>(1,255,078)</u>	<u>3,764</u>	<u>1,258,842</u>
Net change in fund balance	(1,255,078)	3,764	1,258,842
Fund balance - beginning	<u>1,255,078</u>	<u>1,255,078</u>	<u>-</u>
Fund balance - ending	<u><u>\$ -</u></u>	<u><u>\$ 1,258,842</u></u>	<u><u>\$ 1,258,842</u></u>

See the accompanying independent auditors' report.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

Food Service Fund

This fund accounts for all financial activities associated with the District's school lunch program.

Designated-Purpose Grants Fund

This fund is authorized by Colorado state law for the purpose of accounting for financial assistance from certain state and federal grants.

Pupil Activity Fund

Used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

Capital Projects Fund

The Capital Projects Fund is used to account for significant capital expenditures of the District.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016**

Special Revenue Funds

	Food Service Fund	Designated Purpose Grants Fund	Pupil Activity Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 85,803	\$ -	\$ 500	\$ -	\$ 86,303
Receivables	-	23,070	-	-	23,070
Due from other funds	-	62,456	4,629	103,532	170,617
Receivable from agency fund	-	-	113,349	-	113,349
Inventories	7,737	-	-	-	7,737
Total assets	<u>\$ 93,540</u>	<u>\$ 85,526</u>	<u>\$ 118,478</u>	<u>\$ 103,532</u>	<u>\$ 401,076</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ -	\$ -	\$ 1	\$ 5,583	\$ 5,584
Accrued salaries and benefits	34,487	40,249	-	-	74,736
Unearned revenue	-	45,277	-	-	45,277
Total liabilities	<u>34,487</u>	<u>85,526</u>	<u>1</u>	<u>5,583</u>	<u>125,597</u>
Fund balances:					
Nonspendable	7,737	-	-	-	7,737
Assigned	51,316	-	118,477	97,949	267,742
Total fund balances	<u>59,053</u>	<u>-</u>	<u>118,477</u>	<u>97,949</u>	<u>275,479</u>
Total liabilities and fund balances	<u>93,540</u>	<u>\$ 85,526</u>	<u>\$ 118,478</u>	<u>\$ 103,532</u>	<u>\$ 401,076</u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Food Service Fund	Designated Purpose Grants Fund	Pupil Activity Fund	Capital Projects Fund	
REVENUES					
Local sources	\$ 156,264	\$ -	\$ 115,708	\$ -	\$ 271,972
State sources	4,965	-		-	4,965
Federal sources	210,422	245,409	-	-	455,831
Total revenues	<u>371,651</u>	<u>245,409</u>	<u>115,708</u>	<u>-</u>	<u>732,768</u>
EXPENDITURES					
Instruction	-	141,024	153,936	10,678	305,638
Athletics	-	-	384,720	9,997	394,717
Supporting services					
Instructional staff	-	104,385	-	19,866	124,251
Operations and maintenance	-	-	-	306,034	306,034
Student transportation	-	-	-	25,000	25,000
Food service operations	454,781	-		-	454,781
Facilities acquisition and construction	-	-	-	61,332	61,332
Total expenditures	<u>454,781</u>	<u>245,409</u>	<u>538,656</u>	<u>432,907</u>	<u>1,671,753</u>
Excess (deficiency) of revenues over expenditures	<u>(83,130)</u>	<u>-</u>	<u>(422,948)</u>	<u>(432,907)</u>	<u>(938,985)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	<u>100,000</u>	<u>-</u>	<u>465,000</u>	<u>485,000</u>	<u>1,050,000</u>
Total other financing sources and (uses)	<u>100,000</u>	<u>-</u>	<u>465,000</u>	<u>485,000</u>	<u>1,050,000</u>
Net change in fund balances	\$ 16,870	-	42,052	52,093	111,015
Fund balances - beginning	<u>42,183</u>	<u>-</u>	<u>76,425</u>	<u>45,856</u>	<u>164,464</u>
Fund balances - ending	<u><u>59,053</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 118,477</u></u>	<u><u>\$ 97,949</u></u>	<u><u>\$ 275,479</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOOD SERVICE FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local sources			
Other local revenue	\$ 156,146	\$ 156,264	\$ 118
Total local sources	156,146	156,264	118
State sources	4,965	4,965	-
Federal sources			
School breakfast	65,000	53,692	(11,308)
School lunch	124,313	135,621	11,308
Commodities	21,140	21,109	(31)
Total federal sources	210,453	210,422	(31)
Total revenues	371,564	371,651	87
EXPENDITURES			
Salaries	165,244	163,647	1,597
Employee benefits	70,366	68,970	1,396
Purchased services	5,000	4,698	302
Supplies	192,250	193,409	(1,159)
Equipment	3,000	2,948	52
Commodities utilization	21,140	21,109	31
Other	3,000	-	3,000
Contingency reserves	53,747	-	53,747
Total expenditures	513,747	454,781	58,966
Excess (deficiency) of revenues over expenditures	(142,183)	(83,130)	59,053
OTHER FINANCING SOURCES (USES)			
Transfers in	100,000	100,000	-
Total other financing sources (uses)	100,000	100,000	-
Net change in fund balances	(42,183)	16,870	59,053
Fund balances - beginning	42,183	42,183	-
Fund balances - ending	\$ -	\$ 59,053	\$ 59,053

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
DESIGNATED-PURPOSE GRANTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Federal sources	\$ 305,838	\$ 245,409	\$ (60,429)
Total revenues	<u>305,838</u>	<u>245,409</u>	<u>(60,429)</u>
EXPENDITURES			
Instruction	186,384	141,024	45,360
Supporting services			
Instructional staff	<u>119,454</u>	<u>104,385</u>	<u>15,069</u>
Total expenditures	<u>305,838</u>	<u>245,409</u>	<u>60,429</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
REVENUES			
Other local revenue	\$ 80,000	\$ 115,708	\$ 35,708
Total revenues	<u>80,000</u>	<u>115,708</u>	<u>35,708</u>
EXPENDITURES			
Instruction	161,465	153,936	7,529
Athletics	403,535	384,720	18,815
Contingency reserves	<u>56,425</u>	<u>-</u>	<u>56,425</u>
Total expenditures	<u>621,425</u>	<u>538,656</u>	<u>82,769</u>
Excess (deficiency) of revenues over expenditures	<u>(541,425)</u>	<u>(422,948)</u>	<u>118,477</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>465,000</u>	<u>465,000</u>	<u>-</u>
Net change in fund balances	(76,425)	42,052	118,477
Fund balances - beginning	<u>76,425</u>	<u>76,425</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 118,477</u></u>	<u><u>\$ 118,477</u></u>

See the accompanying independent auditors' report.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENDITURES			
Instruction	22,450	10,678	11,772
Athletics	10,000	9,997	3
Supporting services			
Instructional staff	20,000	19,866	134
Operations and maintenance	347,550	306,034	41,516
Student transportation	25,000	25,000	-
Facilities acquisition and construction	55,000	61,332	(6,332)
Contingency reserves	50,856	-	50,856
	<u>530,856</u>	<u>432,907</u>	<u>97,949</u>
Excess (deficiency) of revenues over expenditures	<u>(530,856)</u>	<u>(432,907)</u>	<u>97,949</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>485,000</u>	<u>485,000</u>	<u>-</u>
Total other financing sources (uses)	<u>485,000</u>	<u>485,000</u>	<u>-</u>
Net change in fund balances	(45,856)	52,093	97,949
Fund balances - beginning	<u>45,856</u>	<u>45,856</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 97,949</u>	<u>\$ 97,949</u>

See the accompanying independent auditors' report.

FIDUCIARY FUNDS

Fiduciary Funds are used to account for assets held by the District in a trustee capacity. The District has the following Fiduciary Fund:

Agency Fund

This fund was created to act as custodian for various student groups and activity funds.

EL PASO COUNTY SCHOOL DISTRICT NO. 14
STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED JUNE 30, 2016

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and cash equivalents	\$ 336,236	\$ 597,950	\$ (448,748)	\$ 485,438
Total assets	<u>\$ 336,236</u>	<u>\$ 597,950</u>	<u>\$ (448,748)</u>	<u>\$ 485,438</u>
 LIABILITIES				
Accounts payable	\$ 542	\$ -	\$ (70)	\$ 472
Payable to primary government	44,693	117,334	(44,693)	117,334
Payable to student organizations	<u>291,001</u>	<u>480,616</u>	<u>(403,985)</u>	<u>367,632</u>
Total liabilities	<u>\$ 336,236</u>	<u>\$ 597,950</u>	<u>\$ (448,748)</u>	<u>\$ 485,438</u>

See the accompanying independent auditors' report.



**INDEPENDENT AUDITORS' REPORT ON
COLORADO SCHOOL DISTRICT/BOCES
AUDITOR'S INTEGRITY REPORT**

To the Board of Education
El Paso County School District No. 14

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, as of and for the year ended June 30, 2016, which collectively comprise El Paso County School District No. 14's basic financial statements, and our report thereon dated December 5, 2016, which expressed an unmodified opinion on those financial statement, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 14's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 5, 2016



Colorado Department of Education
Auditors Integrity Report
 District: 1030 - MANITOU SPRINGS 14
 Fiscal Year 2015-16
 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	3,215,718	13,076,113	12,595,145	3,696,686
18 Risk Mgmt Sub-Fund of General Fund	29,402	175,000	167,437	36,965
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	3,245,120	13,251,113	12,762,582	3,733,651
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	42,183	471,651	454,781	59,053
22 Govt Designated-Purpose Grants Fund	0	245,409	245,409	0
23 Pupil Activity Special Revenue Fund	76,425	580,708	538,656	118,477
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,255,078	775,314	771,550	1,258,842
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	45,856	485,000	432,906	97,949
Totals	4,664,662	15,809,195	15,205,684	5,267,973
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	291,001	480,616	403,985	367,632
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	291,001	480,616	403,985	367,632

FINAL

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