

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado

Financial Statements
For The Year Ended June 30, 2016



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 Kiowa, Colorado
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INDEPENDENT AUDITOR'S REPORT

Board of Education
Elbert County School District C-2
P O Box 128
Kiowa, Colorado 80117

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of and for the year ended June 30, 2016, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, 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 Elbert County School District C-2, 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 budgetary comparison information on pages a-k and 21-23 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. For the management discussion & analysis 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 Elbert County School District C-2's basic financial statements. The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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, based on our audit and the procedures as described above, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

WINFREY, COUNTY & HAYS, PC
Certified Public Accountants



by: Gerald County, CPA

October 19, 2016

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

This discussion and analysis provides an overview of the Elbert County School District C-2 financial performance for the fiscal year ending June 30, 2016. The focus of the information is on the primary government general fund.

The District continues to use the financial reporting model proposed by the Governmental Accounting Standards Board (GASB), *Statement No. 34, Basic Financial Discussion and Analysis for State and Local Government*.

Financial Highlights

- For the current year ended June 30, 2016, the net position of the District is \$(186,053), an increase of \$163,242.
- As of the close of the 2015-16 fiscal year, the District's governmental funds reported combined ending fund balances of \$2,004,713. This represents an increase of \$356,728 from the previous year.
- The District had adequate funds available for all appropriations.

Overview of Financial Statements

The discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements consist of these components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

1. Government-Wide Financial Statements

These statements report information about the District as a whole using accounting methods similar to those used by private sector companies. The statement of net position includes all of the districts assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net position are an indication of whether its financial health is improving or deteriorating. The government wide statements have only governmental activities

Government activities - all of the District's basic services are included here, such as instruction, administration, operation of the buildings and grounds, and pupil transportation. Property taxes and state and federal subsidies and grants finance these activities.

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

2. Fund Financial Statements

These statements provide detailed information about the most significant funds, not the District as a whole. Some funds are required by state law and bond requirements.

Governmental Funds - Most of the District's activities are reported in governmental funds, which focus on determining our financial status and change in financial status. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be converted into cash. The governmental fund statements provide a detailed short-term view of the District's operations and the services it provides. Governmental fund information helps people determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities reported in the Statement of Net position and the Statement of Activities and governmental funds is reconciled in the financial statements.

Fiduciary Funds- Acts as a trustee, or fiduciary, for student activities. These activities are excluded from the District's other financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

The District's total net position was negative \$186,053 at the close of business on June 30, 2016. Table 1 represents a detailed view of FY 15-16. Chart 1 shows a high level overview of net asset changes over time.

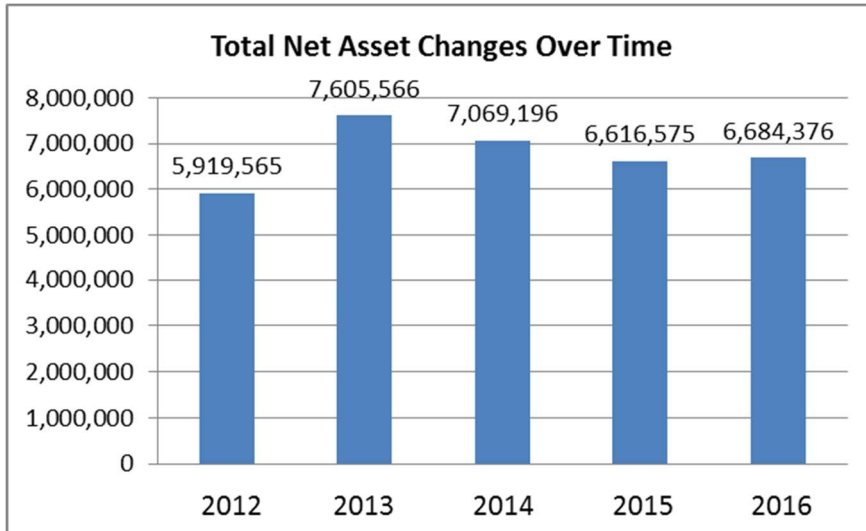
Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Table 1
Fiscal Year Ended June 30, 2016
Net Position

	<u>Government Activities</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>
Current and other assets	2,305,037	1,988,337
Capital assets	<u>4,540,339</u>	<u>4,628,238</u>
Total assets	6,845,376	6,616,575
 Deferred Outflows	 691,374	 275,721
 Current liabilities	 300,324	 340,352
Long term liabilities	<u>6,906,872</u>	<u>6,690,727</u>
Total liabilities	7,207,196	7,031,079
 Deferred Inflows	 515,607	 210,513
 Net Position		
Invested in capital assets	3,290,339	3,378,238
Restricted	109,766	100,742
Unrestricted	<u>(3,586,158)</u>	<u>(3,828,276)</u>
Total Net Position	<u>(186,053)</u>	<u>(349,296)</u>

Elbert County School District C-2
 Management Discussion and Analysis
 For Fiscal Year Ended June 30, 2016

Chart 1
 Comparison of Net Position Over Time



As noted earlier, net position serve as a useful indicator of the District’s financial position over time. In the case of the Kiowa School District, liabilities exceeded assets by \$186,053.

Of the District’s \$6,845,376 in total assets, \$4,540,339 reflects investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net position of \$(3,586,158) may be used to meet the District’s ongoing financial obligations. Depreciation in capital assets and a QZAB loan contribute to the decrease in net position for the 2015-16 year.

The results of this year’s operations as a whole are reported in the Statement of Activities on Page 2 of the full audit. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District’s activities that are supported by other general revenues. The two largest general revenues are the equalization provided by the State of Colorado Department of Education and the property taxes assessed to District taxpayers.

Table 2 takes the information from that statement and rearranges it slightly so total revenues for the year are more easily seen.

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Table 2
Fiscal Year Ended June 30, 2016
Change in Net Position

	<u>Government Activities</u>	
	<u>6/30/2016</u>	<u>6/30/2015</u>
REVENUES		
Program Revenues		
Charges for service	93,565	108,022
Operating grants	227,800	162,116
Capital grants	0	0
General Revenues		
Property taxes	574,047	525,957
Specific ownership taxes	97,000	90,286
State Equalization	2,400,762	2,412,069
Other	45,406	98,458
Gain (Loss) on assets	<u>(1,858)</u>	<u>(688)</u>
Total Revenues	3,436,722	3,396,220
EXPENSES		
Instruction	1,772,794	2,089,403
Pupil services	80,513	78,632
Instructional services	40,239	40,907
General administration	125,855	113,628
School administration	308,424	310,816
Business	117,047	111,080
Operations & maintenance	397,793	697,983
Pupil transportation	108,907	84,069
Central services	114,123	133,785
Extracurricular activities	63,726	47,231
Interest & fiscal charges	3,710	3,815
Food Services	<u>140,350</u>	<u>146,395</u>
Total Expenses	<u>3,273,480</u>	<u>3,857,744</u>
Increase (decrease) in net position	<u>163,242</u>	<u>(461,524)</u>

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Table 3 presents the expenses of the Governmental Activities of the District.

Table 3 shows the District's largest areas of expenditures and unallocated depreciation expense. It also shows the net total costs (total cost less revenues generated by the activities). This table also shows the net costs offset by the other unrestricted grants and subsidies to show the remaining financial needs supported by local taxes and other revenue. General administration restructuring has resulted in more focused expenditures in school administration. This change is necessary to accommodate the requirements that Senate Bill 191 mandates as it relates to instructional.

Table 3
Fiscal Year Ended June 30, 2016
Government Activities

Functions/Programs	<u>Year Ended June 30, 2016</u>		<u>Year Ended June 30, 2015</u>	
	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>
Instruction	1,772,794	1,594,852	2,089,403	1,964,166
Pupil services	80,513	80,513	78,632	78,635
Instructional services	40,239	40,239	40,907	40,907
General administration	125,855	125,855	113,628	113,628
School administration	308,424	308,424	310,816	310,816
Business	117,047	117,047	111,080	111,080
Operations & maintenance	397,793	397,793	697,983	697,983
Pupil transportation	108,907	96,126	84,069	60,158
Central services	114,123	114,123	133,785	133,785
Extracurricular activities	63,726	18,128	47,231	11,217
Food Service	140,350	55,305	146,395	61,418
Interest & fiscal charges	<u>3,710</u>	<u>3,710</u>	<u>3,815</u>	<u>3,815</u>
Total Expenses	<u>3,273,480</u>	2,952,115	<u>3,857,744</u>	3,587,608
Less State Equalization		<u>2,400,762</u>		<u>2,412,069</u>
Total needs from local taxes and other revenue		<u>551,353</u>		<u>1,175,539</u>

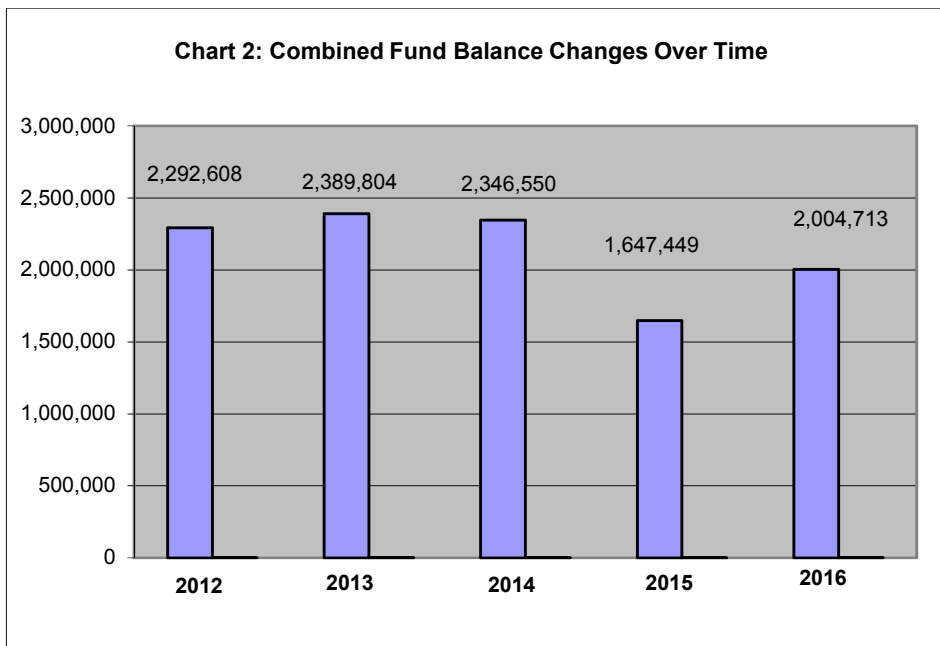
Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

The Statement of Revenues, Expenses and Change in Fund Net position in the full audit further detail the actual results of operations.

The District Funds

On June 30, 2016, the District governmental funds reported a combined fund balance of \$2,004,713 which is an increase of \$357,264.

Chart 2 shows how the combined fund balance has changed over time.



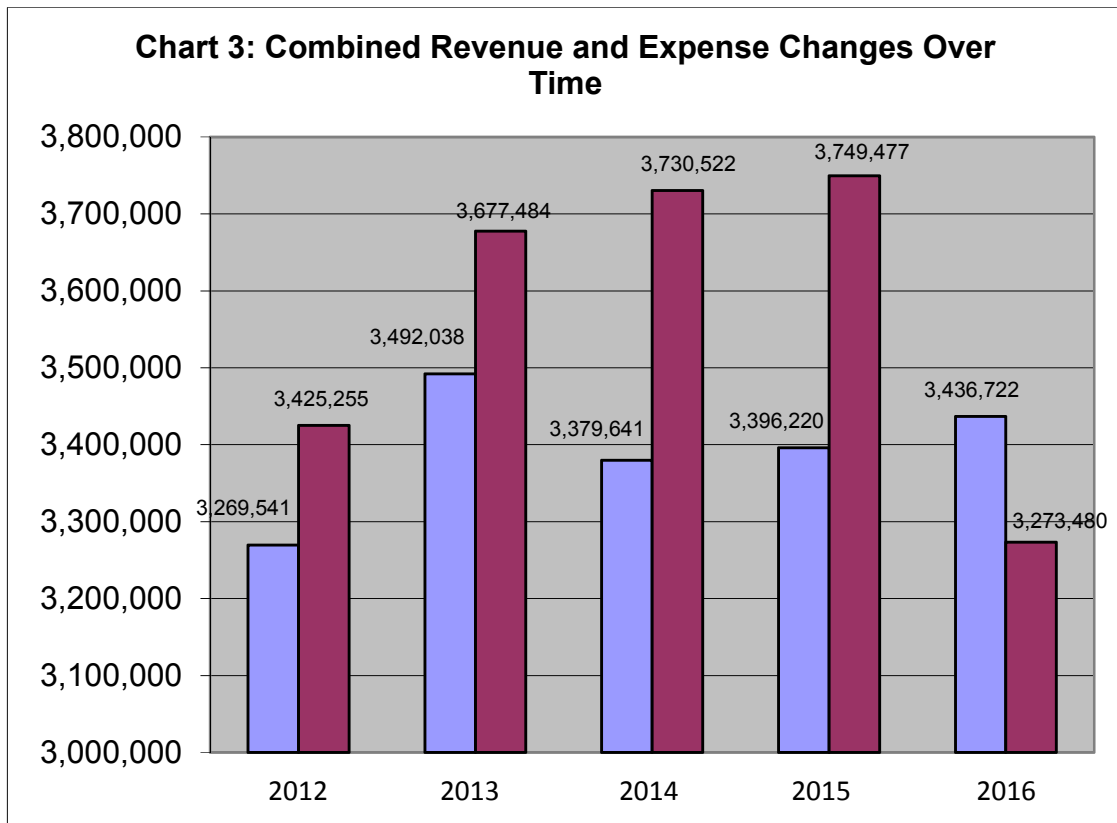
Elbert County School District C-2
 Management Discussion and Analysis
 For Fiscal Year Ended June 30, 2016

Financial Analysis of the District's Funds

It would appear from the numbers that the gap of revenues to expenses is increasing. However, the gap is misrepresented for the period of 2012-2015 because of the QZAB loan. In October of 2012, the district received a \$1.25 million QZAB loan. It took three years to complete the capital improvements with the last of the renovations completed in the 2014-15 fiscal year. All of this has been expended as shown below:

2012-13 QZAB Expenditures:	\$ 652,206
2013-14 QZAB Expenditures:	\$ 354,054
2014-15 QZAB Expenditures:	\$ 243,740
Total Spent:	\$1,250,000

Chart 3 shows how combined revenues and expenditures have changed over time with the blue representing revenues and the red representing expenditures.

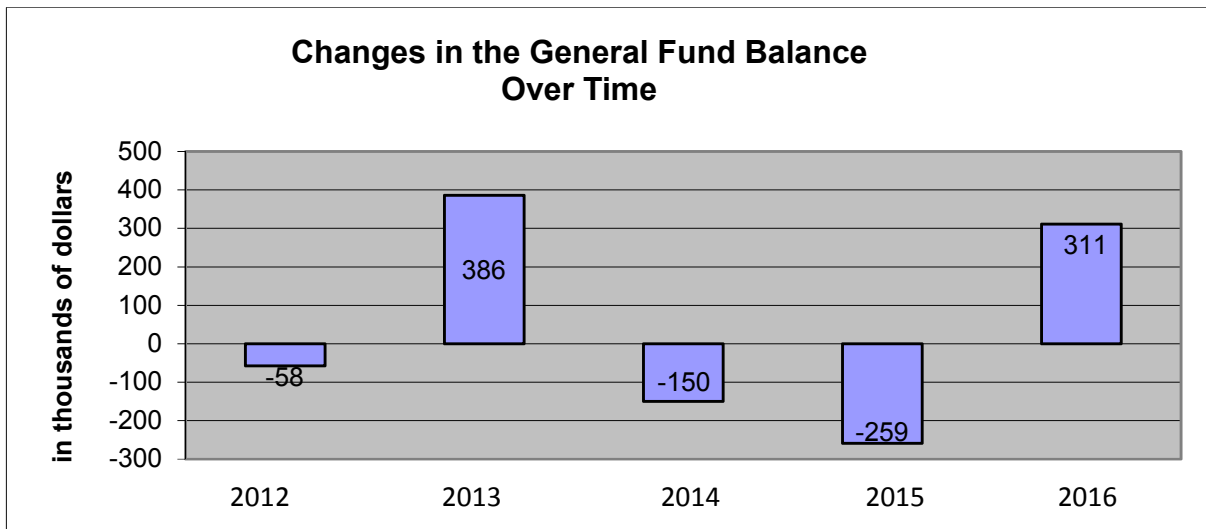


Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

General Fund Budget

The Board of Education approved a regular budget in FY 16 to adequately appropriate expected expenditures based on careful review of anticipated revenues. Using historical spending patterns as a guide, the budget was crafted with a perceived flat to positive cash flow. After a careful review of staff positions and student-teacher ratios, the Board of Education elected to reduce its staffing. The Board anticipates that cuts previously endured by State funding levels will not be replaced. Further, the Board of Education, with independent auditor approval, will allow the General Fund to go down a balance of \$825,000, but only if necessary. Based on enrollment numbers, the Board of Education elected to reduce staff by five full-time equivalents for the 2015-16 school year.

Below is a chart showing how the reserve funds changed over the last several years. The 2013 figure is misleading because the District received a QZAB loan in the amount of \$1.25 million during that fiscal year and not all of it was expended. The 2014 figure is also misleading. Because the \$1.25 million was received all in the 2012-13 fiscal year and could not be spent in that year, it understated revenues to expenses. Similarly, in 2013-14 and 2014-15, more of the funds received the previous year were spent on improvements (see previous page for actual QZAB numbers). While it appears as though we overspent revenues by about \$259,000, we really overspent by about \$16,000. As is shown below, the change in the General Fund Balance is now positive.



Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Capital Assets and Debt Administration

Capital Assets

On June 30, 2016, the District realized a decrease of \$87,900 in capital assets. The decrease is a result depreciation expense exceeding purchases. The District's capital assets are currently valued at \$4,540,339 (see page 13 of the audit) compared to last year when the capital assets were \$4,628,239.

Capital Assets

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Site & Improvements	1,023,386	1,023,386
Buildings & Improvements	6,008,041	6,008,041
Equipment	542,860	500,538
Transportation	<u>230,945</u>	<u>209,955</u>
Total capital assets	7,805,232	7,741,920
Accumulated depreciation	<u>(3,264,893)</u>	<u>(3,113,681)</u>
Total capital assets	<u>4,540,339</u>	<u>4,628,239</u>

The major capital acquisitions were a bus for \$73,000, a walk in freezer for \$23,115, and a WI-Fi system for \$14,958.

The District entered into a site lease/leaseback which was financed with QZAB funds in the amount of \$1,250,000. It is scheduled to be repaid at \$70,000 per year plus interest through October 10, 2030.

More complete information is furnished on page 14.

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016

Economic Factors and Next Year's Budget and Rates

The factors that will affect next year's budget will be:

- the continuing shortage of federal funds to support educational programs including special education mandated in Federal Law
- generally declining enrollment with only modest gains experienced in 2015-16
- the pervasiveness of the State's negative factor for funding schools. Kiowa's negative factor reduces the available funds by about \$450,000 EVERY year.

The District is located in a small town, and like many small towns, is likely to suffer from the ill effects of an unstable economy.

History of Staff Reductions

The District reduced staff in the following seven areas to meet financial exigencies: administration, technology, music, physical education, library, elementary education, and special education. Due to a surprising increase in enrollment for the 2011-12 school year, a teacher and an aide was added in the elementary.

An additional 3 FTE were reduced for the 2012-13 school year for similar reasons. Areas reduced were a librarian, separate Title teacher because Title will now be delivered in the classroom, and a kindergarten teacher, no longer needed due to class enrollment.

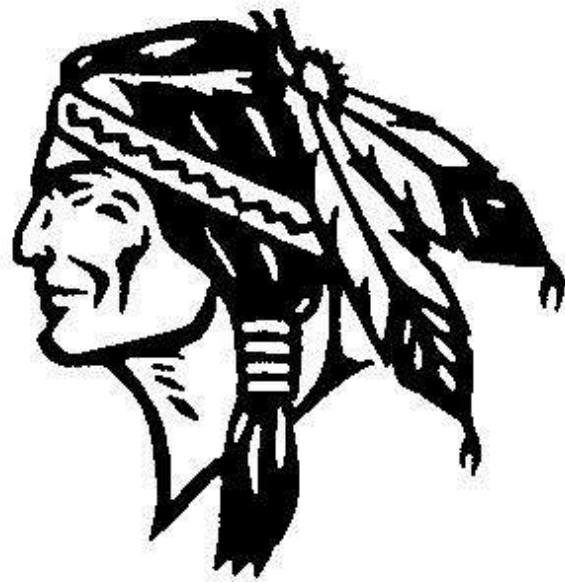
For the 2013-14 year, a teacher who left voluntarily was not replaced. We were able to move a teacher from the elementary where class sizes are smaller to fill the job. We have experienced a decline of 90 students: 40 in 2013-14 and 50 in 2014-15.

For the 2015-16 year, five positions were reduced: 3 elementary teachers, an IT support position and a vocational arts position.

For the 2016-17 year, Kiowa added an extra elementary teacher to educate the needs of a class with demographic and behavioral challenges.

Contacting the District for Financial Management Questions

The District's financial report is designed to provide a general overview of our finances for all those interested. Questions concerning the information provided in this report or requests for additional information should be addressed to the Superintendent of Schools at Kiowa Schools, P.O. Box 128, Kiowa, CO 80117.



BASIC FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Net Position
 June 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	2,287,827
Accounts/grants receivable	10,882
Inventory	6,328
Capital assets, net of accumulated depreciation	<u>4,540,339</u>
Total Assets	6,845,376
DEFERRED OUTFLOWS	691,374
LIABILITIES	
Accounts payable	12,907
Accrued sick leave payable	47,181
Accrued salaries payable	238,121
Unearned revenue	2,116
Noncurrent Liabilities	
Due in more than one year	1,250,000
Net Pension Liability	<u>5,656,872</u>
Total Liabilities	7,207,196
DEFERRED INFLOWS	515,607
NET POSITION	
Invested in capital assets	3,290,339
Restricted for preschool	8,814
Restricted for TABOR Reserve	100,952
Unrestricted	<u>(3,586,158)</u>
Total Net Position	<u>(186,053)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Activities
 For the Year Ended June 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
Instructional	1,772,794	7,248	170,694	
Support Services				
Pupil services	80,513			
Instructional services	40,239			
General administration	125,855			
School administration	308,424			
Business	117,047			
Operations & maintenance	397,793			
Pupil transportation	108,907		12,781	
Support services	114,123			
Extracurricular Activities	63,726	45,598		
Food Services	140,350	40,719	44,325	
Interest & fiscal charges	<u>3,710</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>3,273,480</u>	<u>93,565</u>	<u>227,800</u>	<u>0</u>

General revenues:

Taxes

 Property taxes, levied for general purposes

 Specific ownership taxes

State Equalization

Miscellaneous

Investment earnings

Gain (Loss) on assets

 Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position
Governmental
Activities

(1,594,852)

(80,513)

(40,239)

(125,855)

(308,424)

(117,047)

(397,793)

(96,126)

(114,123)

(18,128)

(55,305)

(3,710)

(2,952,115)

574,047

97,000

2,400,762

39,599

5,807

(1,858)

3,115,357

163,242

(349,295)

(186,053)

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Balance Sheet
 Governmental Funds
 June 30, 2016

	<u>General</u>	Nonmajor <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	2,144,203	143,624	2,287,827
Accounts/Grants receivable	10,451	431	10,882
Inventory	<u>0</u>	<u>6,328</u>	<u>6,328</u>
Total Assets	<u>2,154,654</u>	<u>150,382</u>	<u>2,305,037</u>
 LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	12,907	0	12,907
Accrued sick leave payable	42,909	4,271	47,181
Accrued salaries payable	<u>228,688</u>	<u>9,433</u>	<u>238,121</u>
Total Liabilities	284,504	13,705	298,208
 Unearned Revenue			
	0	2,116	2,116
 Fund Balances			
Restricted for TABOR Reserve	100,952	0	100,952
Restricted for preschool	8,814	0	8,814
Committed for Capital Projects	0	123,146	123,146
Nonspendable	0	6,328	6,328
Assigned	0	5,088	5,088
Unassigned	<u>1,760,384</u>	<u>0</u>	<u>1,760,384</u>
Total Fund Balances	<u>1,870,151</u>	<u>134,562</u>	<u>2,004,713</u>
 Total Liabilities and Fund Balances			
	<u>2,154,654</u>	<u>150,382</u>	<u>2,305,037</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Balance Sheet
Governmental Funds

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
For the Year Ended June 30, 2016

Total Governmental Fund Balances	2,004,713
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,540,339
Deferred outflows of resources, reported as deferred amount on pensions, are not financial resources and thus are not reported as assets in governmental funds	691,374
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(6,906,872)
Deferred inflows of resources, report as deferred amount on pensions, are not financial resources and thus are not reported as assets in governmental funds	<u>(515,607)</u>
Net Position of Governmental Activities	<u>(186,053)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources			
Property Taxes	574,047	0	574,047
Specific Ownership Taxes	97,000	0	97,000
Charges for Service	0	40,719	40,719
Investment Interest	5,775	33	5,807
Other	49,799	45,598	95,397
State Sources			
Equalization	2,400,762	0	2,400,762
Transportation	12,781	0	12,781
Other	126,912	1,608	128,520
Federal Sources	<u>43,740</u>	<u>42,717</u>	<u>86,457</u>
Total Revenues	3,310,816	130,674	3,441,490
EXPENDITURES			
Current			
Instruction	1,523,319	0	1,523,319
Supporting Services			
Students	77,612	0	77,612
Instructional staff services	39,055	0	39,055
General administration	121,755	0	121,755
School administration	293,383	0	293,383
Business	112,802	0	112,802
Operations & maintenance	368,292	0	368,292
Pupil Transportation	90,637	0	90,637
Support services	107,979	0	107,979
Other	0	63,726	63,726
Food Service	0	131,424	131,424
Debt Service	3,710	0	3,710
Capital Outlay	<u>14,314</u>	<u>136,757</u>	<u>151,071</u>
Total Expenditures	<u>2,752,856</u>	<u>331,906</u>	<u>3,084,762</u>
Revenues over (under) Expenditures	557,959	(201,231)	356,728
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(247,000)</u>	<u>247,000</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	310,959	45,769	356,728
Fund Balance - Beginning	<u>1,559,191</u>	<u>88,793</u>	<u>1,647,985</u>
Fund Balance - Ending	<u>1,870,151</u>	<u>134,562</u>	<u>2,004,713</u>

See auditor's report and notes to the financial statements.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2016
 (continued)

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

Net change in fund balances - total governmental funds		356,728
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Capital outlays	115,323	
Depreciation expense	<u>(198,454)</u>	(83,131)
<p>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.</p>		
Pension expenses		(105,586)
<p>Gain (loss) on disposal of assets is not recognized in governmental funds, but the sale of the assets is recorded as income.</p>		
Cash received on sale of asset	(2,910)	
Recognized gain (loss)	<u>(1,858)</u>	<u>(4,768)</u>
Change in net position of government activities		<u><u>163,242</u></u>

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Statement of Fiduciary Net Position
Student Activity Agency Fund
June 30, 2016

	Student Activity Fund
ASSETS	
Cash in bank	52,137
NET POSITION	
Held in trust for activities	<u>52,137</u>
NET POSITION	<u>0</u>

Notes to Financial Statements

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The District is a political subdivision of the State of Colorado which is governed by an elected board of 5 members. A summary of the Elbert County School District C-2's significant accounting policies applied in the preparation of these financial statements follows.

A. Reporting Entity

The Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", established the criteria for determining the activities, organizations and functions of government to be included in the financial statements of the reporting entity. In evaluating the school as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be a primary government because it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. It has no component units. Neither is it a component unit of any other entity.

This report includes all funds of Elbert County School District C-2.

B. Basis of Presentation

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 school district. As a general rule, the effect of interfund activity has been eliminated from these statements.

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

Fund financial statements are also provided in the report for all of the governmental funds and the fiduciary funds of the district. Major individual governmental funds are reported as separate columns in the fund financial statements. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

The District reports the following major governmental fund:

The General Fund is the district's primary operating fund. It accounts for all financial resources except those required to be in another fund.

Additionally, the district reports the Food Service Special Revenue Fund and the Capital Projects Fund governmental funds. The Student Activity agency fund which accounts for cash held by the district for related organizations. It is custodial in nature and does not involve measurement of results of operations.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the fiduciary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Net position (total assets less total liabilities) are used as a practical measure of economic resources and the operating statement includes all transactions and events that increased or decreased net position. Depreciation is charged as expense against current operations and accumulated depreciation is reported on the statement of net position.

The 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. "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific school district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. 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.

D. Budgets and Budgetary Accounting

All funds must have budgets to be allowed expenditures. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at year end.

Budget Calendar -

Submission of a proposed budget to the Board of Education is due by May 31. On June 10 or within ten days after submission of the proposed budget, a notice shall be published stating the proposed budget is on file and available for inspection.

The last date for final adoption of the budget and appropriation resolution is June 30.

January 31 is last date to change adopted budget.

By December 15, the Board of Education certifies to County Commissioners the mill levy against the assessed valuation for the general and bond redemption funds.

The legal level of budgetary control is at the individual fund level.

E. Encumbrances

Encumbrance accounting where purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation is not utilized by the District.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2016
 (continued)

F. Assets, Liabilities and Fund Balances/Net Position

1. Deposits

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the District to deposit funds in institutions who are members of the Federal Deposit Insurance Corporation to the extent that the deposit is insured or is secured by pledge of eligible collateral as required by CRS 11-10.5-107

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/due from other funds."

Any residual balances outstanding are reported in the government-wide statements as "Internal Balances".

Accounts receivable and property taxes receivables are shown at gross. Uncollectibles have not been material.

3. Inventories

The purchase method is used to account for inventories in the governmental funds. Under this method, inventories are recorded as expenditures when purchased.

A physical inventory was taken as of June 30, 2016 for the Food Services Special Revenue Fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

Capital asset, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$3,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Site improvements	10-40
Buildings	10-50
Equipment	10-25
Vehicles	7-10

The District does not have any infrastructure assets.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

5. Compensated Absences

Certified employees are allowed 10 sick days per year, accumulative to infinity. Non-certified employees are allowed 1 day each month for the number of months they work each year, i.e. cooks 9 days per year, custodians and business manager 12 days per year, accumulative to infinity. Reimbursements on accumulated sick leave of full-time employees are allowed up to 30 days at the rate of one-half the substitute teacher pay at the time of their termination of employment. As of June 30, 2016, the accrued sick leave payable was \$47,181.

6. Long-term Obligations

In the government-wide financial statements and, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds issuance costs are reported as deferred charges and amortized over the term of the debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources 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.

7. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure. Actual results could differ from those estimates.

8. Fund Balance and Net Position

In the government-wide financial statements, net position are classified in the following categories;

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

Reserved Net position – indicates that portion of net position which has been legally segregated for specific purposes or is not available for appropriation.

Unreserved Net position – represents the amount which is not reserved for any purpose and is available for appropriation and expenditure in future periods.

When restricted and unrestricted funds are available, restricted are deemed first spent.

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

Nonspendable – amounts that cannot be spent because they are either in not spendable form such as inventory and prepaid expenses, or legally or contractually required to be maintained intact such as the corpus of a permanent fund which is required to be retained in perpetuity. It also includes the long-term amount of loans and notes receivable, as well as property acquired for resale.

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

Committed – amounts that can be only used for specific purposes pursuant to constraints imposed by formal action of the government's Board of Trustees. These amounts cannot be changed except by taking the same type of action employed to previously commit these amounts.

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2016
 (continued)

Unassigned – the residual for the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

When committed, assigned, or unassigned funds are available, committed is first spent, then assigned.

At June 30, 2016 the amounts restricted \$8,814 for preschool, \$100,952 for the TABOR Reserve. Committed amount was \$123,146 for capital projects.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. 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 Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.
- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

- A. Deposits - are in 2 financial institutions. They are displayed on the balance sheets as "Cash in Bank" and "Certificates of Deposit", and are carried at cost. Deposits of the District are listed by appropriate risk category as follows:

The Colorado Public Deposit Protection Act (PDPA) requires that all political subdivisions of the State deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified under the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all the uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

The Colorado Division of Banking and Financial Services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Custodial Credit Risk - the risk that, in the event of bank failure, the District's deposits may not be returned to it. The District does not have a written deposit policy for custodial credit risk.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

At June 30, 2016, the District's cash deposits had a bank balance and carrying balance as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 544,736	546,834
In ColoTrust	1,795,228	
Uninsured: Collateral held by District's agent in agent's name	<u>0</u>	<u>0</u>
Total Deposits	\$2,339,964	546,834
Amount in Agency Fund	<u>(52,137)</u>	
Cash in other funds	<u>\$2,287,827</u>	

As presented above, deposits with a bank balance of \$0 and a carrying balance of \$0 as of June 30, 2016, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

ColoTrust is a pooled investment which has a rating of AAAM by Standard & Poor's.

- B. Accrued Property Taxes Receivable - the amount budgeted for the current year, not yet collected.

Property Tax Calendar - taxes are levied by December 15, tax bills are mailed January 1 of the following year, creating an enforceable lien on the property. If paid by installments of one-half each, the first is due February 28, the second June 15. If paid in one payment, the due date is April 30. Taxes are delinquent if not paid by those dates. Notice of delinquencies are mailed in September, and tax sales scheduled for November.

- C. Changes in General Fixed Assets

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Sites & Improvements	1,023,387	-0-	-0-	1,023,387
Buildings & Improvements	6,008,041	-0-	-0-	6,008,041
Equipment	500,538	42,323	-0-	542,861
Transportation	<u>209,955</u>	<u>73,000</u>	<u>52,010</u>	<u>230,945</u>
Total	7,741,921	115,323	52,010	7,805,233
Less Accumulated Depreciation				
Site Improvements	381,615	15,635	-0-	397,250
Buildings & Improvements	2,300,911	128,693	-0-	2,429,604
Equipment	283,585	36,952	-0-	320,537
Transportation	<u>147,571</u>	<u>17,174</u>	<u>47,242</u>	<u>117,503</u>
Total	<u>3,113,682</u>	<u>198,454</u>	<u>47,242</u>	<u>3,264,894</u>
Government Activities				
Capital Assets, Net	<u>4,628,239</u>	<u>(83,131)</u>	<u>(4,768)</u>	<u>4,540,339</u>

Depreciation expense for the governmental activities was allocated \$175,685 to instruction, \$17,174 to transportation, and \$5,595 to food services.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to the Financial Statements
 June 30, 2016
 (continued)

D. Changes in Long-Term Debt -

	Beginning <u>Balance</u>	<u>Issued</u>	<u>Paid</u>	Ending <u>Balance</u>
Lease Payable	1,250,000	-0-	-0-	1,250,000

In October of 2012, the District entered into a site lease/lease back agreement to comply with a Qualified Zone Academy Bond from the State of Colorado with First Bank of Missouri. The amount of the lease is \$1,250,000 with interest at 4.21% and calls for annual payments of \$70,000 plus interest of \$52,625 from October 10, 2013 through October 10, 2030.

The payments are deposited into an escrow account which will be used to pay the QZAB at its maturity

Debt service requirement to maturity:

Year Ending <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	70,000	52,625	122,625
2018	70,000	52,625	122,625
2019	70,000	52,625	122,625
2020	70,000	52,625	122,625
2021	70,000	52,625	122,625
2021-2025	350,000	263,125	613,125
2026-2030	<u>340,000</u>	<u>236,813</u>	<u>576,813</u>
Total	1,040,000	763,063	1,803,063

(4) OTHER INFORMATION

- A. Risk Management - The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has joined Colorado School District Self Insurance Pool, a public entity risk pool currently operating as a common risk management and insurance program for members. The District pays an annual premium to CSDSI for its property and casualty insurance coverage. The intergovernmental agreement of formation of CSDSI provides that the Pool will be financially self-sustaining through member contributions and additional assessments, if necessary, and the Pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year.

The District carries commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. Operating Transfers In (Out) - The General Fund transferred \$14,000 to the Student Activity Special Revenue Fund, \$55,000 to the Food Services Fund, and \$178,000 to the Capital Projects Fund.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to the Financial Statements
June 30, 2016
(continued)

D. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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 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.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

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

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

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$264,403 or 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 District reported a liability of \$5,656,872 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 District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District proportion was 0.0369868109 percent, which was a decrease of 0.0031562026 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$105,586. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	74,700	236
	-0-	79,941
Changes of assumptions or other inputs		
Net difference between projected and actual earnings on pension plan investments	480,993	-0-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	435,430
Contributions subsequent to the measurement date	<u>135,681</u>	<u>N/A</u>
Total	691,374	515,607

There is \$135,681 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year ended June 30,	
2017	(192,643)
2018	(169,298)
2019	(73,489)
2020	-0-
2021	-0-
Thereafter	-0-

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

Actuarial cost method	Entry age
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

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.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

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 are 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 benefits.
 - 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.

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

Asset Class	Target Allocation	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%.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

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.
- Employee contributions were assumed to be made at the 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.
- The AIR balance was excluded from the initial fiduciary net position, as, per stature, 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 the 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 District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 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	7,332,959	5,656,872	4,262,680

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-

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2016
(continued)

E. Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District 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.

Funding Policy – The District 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 C-2 contributions are required. The contribution requirements for the District 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 Elbert County School District contributions to the HCTF were \$15,210, \$17,269 and \$19,611, respectively, equal to their required contributions for each year.

- F. Joint Venture - The District participates in the East Central Board of Cooperative Educational Services which is not reflected in these financial statements. One member of the board is from the District. The Board has final authority for all budgeting and financing of the joint venture. Each member pays a \$2,500 membership fee and then contributes additional monies in the relationship their student enrollment is to the total enrollment of all the members. At June 30, 2015, total assets were \$2,633,823, deferred outflows were \$388,938, total liabilities were \$8,833,532, deferred inflows were \$329,949, net position was \$(6,140,720), revenues were \$8,424,082, and expenses were \$8,882,336.

Complete financial statements may be obtained from the BOCES office at 820 Second Street, Limon, CO 80828.

REQUIRED SUPPLEMENTARY INFORMATION

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2016

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	682,349	682,349	726,621	44,272
State Sources	2,521,003	2,521,003	2,540,455	19,452
Federal Sources	<u>44,444</u>	<u>44,444</u>	<u>43,740</u>	<u>(704)</u>
Total Revenues	3,247,796	3,247,796	3,310,816	63,020
EXPENDITURES				
Current				
Instruction	1,606,700	1,606,700	1,523,319	83,381
Supporting Services				
Pupils	78,351	78,351	77,612	739
Instructional Staff - Library	40,406	40,406	39,055	1,351
General Administration	132,262	132,262	121,755	10,507
School Administration	291,964	291,964	293,383	(1,419)
Business Services	113,431	113,431	112,802	629
Operations & Maintenance	407,431	407,431	368,292	39,139
Pupil Transportation	87,165	87,165	90,637	(3,472)
Central Services	132,324	132,324	107,979	24,345
Debt Service	73,900	73,900	3,710	70,190
Capital Outlay	30,500	30,500	14,314	16,186
Appropriated reserves	<u>1,566,553</u>	<u>1,566,553</u>	<u>0</u>	<u>1,566,553</u>
Total Expenditures	<u>4,560,987</u>	<u>4,560,987</u>	<u>2,752,856</u>	<u>1,808,131</u>
Excess of revenues over (under) Expenditures	(1,313,191)	(1,313,191)	557,959	1,871,150
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>(246,000)</u>	<u>(246,000)</u>	<u>(247,000)</u>	<u>(1,000)</u>
Excess or revenues and other sources over (under) expenditures and other uses	(1,559,191)	(1,559,191)	310,959	1,870,150
Fund Balance - Beginning	<u>1,559,191</u>	<u>1,559,191</u>	<u>1,559,191</u>	<u>0</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>1,870,151</u>	<u>1,870,151</u>

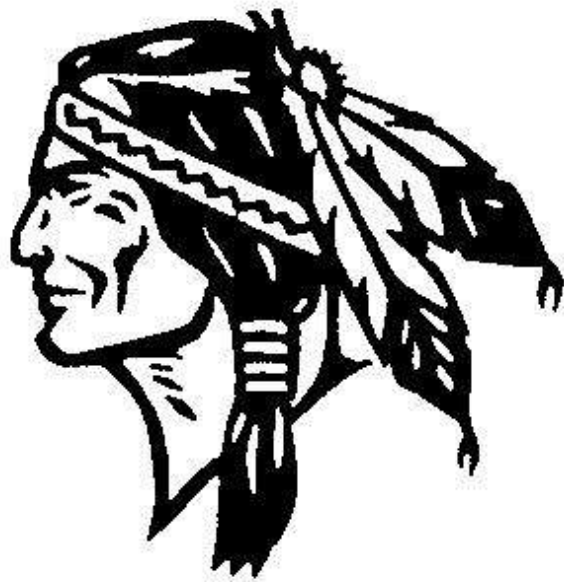
ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Schedule of District's Proportionate Share of the Net Pension Liability
 Last 10 Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.036987%	0.040143%	0.042400%
Proportionate share of the collective net pension liability	5,656,872	5,440,727	5,408,155
Covered payroll	1,611,796	1,681,702	1,708,907
Proportionate share of the net pension liability as a percentage of its covered employee payroll	350.97%	323.52%	316.47%
Plan fiduciary net position as a percentage of total pension liability	59.20%	62.80%	64.06%

The amounts presented for each year were determined as of December 31.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Schedule of Contributions and Related Ratios
 Last 10 Fiscal Years

As of June 30,	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily required contributions	264,403	286,002	268,288	265,180	260,914	236,236	222,537	227,305	203,773	185,144
Contributions in relation to the statutorily required contribution	<u>264,403</u>	<u>286,002</u>	<u>268,288</u>	<u>265,180</u>	<u>260,914</u>	<u>236,236</u>	<u>222,537</u>	<u>227,305</u>	<u>203,773</u>	<u>185,144</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	1,491,148	1,693,128	1,677,848	1,757,907	1,838,181	1,777,298	1,797,158	1,978,812	1,924,301	1,872,872
Contributions as a percentage of covered-employee payroll	17.73%	16.89%	15.99%	15.08%	14.19%	13.29%	12.38%	11.49%	10.59%	9.89%



OTHER INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Combining Balance Sheet
 All Nonmajor Governmental Funds
 June 30, 2016

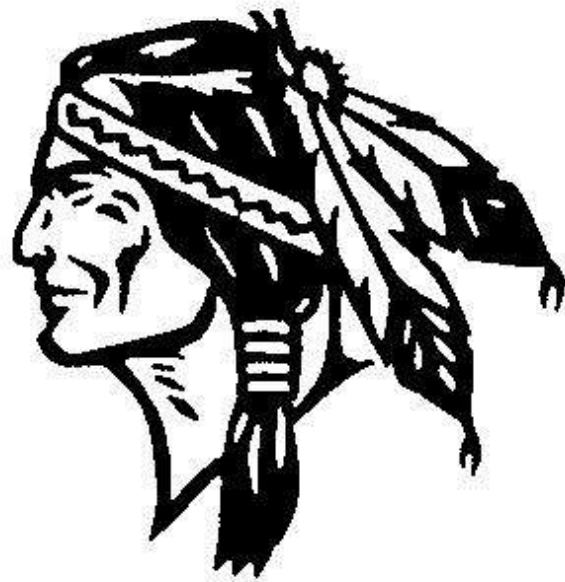
ASSETS	Food <u>Service</u>	Student <u>Activity</u>	Capital <u>Projects</u>	Totals <u>(Memo Only)</u>
Cash	19,013	1,466	123,146	143,624
Accounts/Grants Receivable	431	0	0	431
Inventory	<u>6,328</u>	<u>0</u>	<u>0</u>	<u>6,328</u>
Total Assets	<u>25,771</u>	<u>1,466</u>	<u>123,146</u>	<u>150,382</u>
LIABILITIES				
Accounts Payable	0	0	0	0
Accrued Sick Leave	4,271	0	0	4,271
Accrued Salaries & Benefits	<u>9,433</u>	<u>0</u>	<u>0</u>	<u>9,433</u>
Total Liabilities	13,705	0	0	13,705
UNEARNED REVENUE	2,116	0	0	2,116
FUND BALANCE				
Nonspendable	6,328	0	0	6,328
Committed	0	0	123,146	123,146
Assigned	<u>3,623</u>	<u>1,466</u>	<u>0</u>	<u>5,088</u>
Total Fund Balances	<u>9,950</u>	<u>1,466</u>	<u>123,146</u>	<u>134,562</u>
Total Liabilities and Fund Balances	<u>25,771</u>	<u>1,466</u>	<u>123,146</u>	<u>150,382</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 All Nonmajor Governmental Funds
 For the Year Ended June 30, 2016

	<u>Food Service</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Totals (Memo Only)</u>
REVENUES				
Local Sources	40,719	45,598	33	86,350
State Sources	1,608	0	0	1,608
Federal Sources	<u>42,717</u>	<u>0</u>	<u>0</u>	<u>42,717</u>
Total Revenues	85,044	45,598	33	130,674
EXPENDITURES				
Current				
Food Service	131,424	0	0	131,424
Other	0	63,726	0	63,726
Capital Outlay	<u>0</u>	<u>0</u>	<u>136,757</u>	<u>136,757</u>
Total Expenditures	<u>131,424</u>	<u>63,726</u>	<u>136,757</u>	<u>331,906</u>
Excess of Revenues over (under) Expenditures	(46,380)	(18,128)	(136,724)	(201,231)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>55,000</u>	<u>14,000</u>	<u>178,000</u>	<u>247,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	8,620	(4,128)	41,276	45,769
Fund Balance - Beginning	1,330	5,593	81,870	88,793
Fund Balance - Ending	<u>9,950</u>	<u>1,466</u>	<u>123,146</u>	<u>134,562</u>

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



GENERAL FUND

The General Fund is used to account for resources traditionally associated with government that are not required legally or by sound financial management to be accounted for in another fund. It is the most significant fund in relation to the District's overall operation

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
General Fund
Comparative Balance Sheet

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
ASSETS			
Cash			
On Hand	2,500	2,500	0
In Bank	2,141,703	1,867,800	273,903
Total Cash	2,144,203	1,870,300	273,903
Accounts Receivable	10,451	0	10,451
Accrued Property Tax Receivable	<u>0</u>	<u>15,422</u>	<u>(15,422)</u>
 Total Assets	 <u>2,154,654</u>	 <u>1,885,722</u>	 <u>268,933</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	12,907	11,968	939
Accrued Sick Leave	42,909	35,950	6,959
Accrued Salaries and Benefits Payable	<u>228,688</u>	<u>278,612</u>	<u>(49,924)</u>
Total Liabilities	284,504	326,530	(42,027)
Fund Balance			
Restricted for TABOR Reserve	100,952	97,320	3,633
Restricted for Preschool	8,814	3,422	5,392
Unassigned	<u>1,760,384</u>	<u>1,458,449</u>	<u>301,935</u>
Total Fund Balance	<u>1,870,151</u>	<u>1,559,191</u>	<u>310,959</u>
 Total Liabilities and Fund Balance	 <u>2,154,654</u>	 <u>1,885,722</u>	 <u>268,933</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
From Local Sources				
Current Property Taxes	572,622	572,775	153	525,074
Specific Ownership Taxes	92,467	97,000	4,533	90,286
Delinquent Taxes & Interest	1,500	1,272	(228)	883
Investment Interest	1,800	5,775	3,975	1,869
Tuition	6,200	7,248	1,048	28,905
Indirect Costs	0	0	0	0
Other	<u>7,760</u>	<u>42,551</u>	<u>34,791</u>	<u>98,371</u>
Total Local Sources	682,349	726,621	44,272	745,388
From State Sources				
Equalization	2,382,231	2,400,762	18,531	2,412,068
ELPA	3,206	3,508	302	2,783
Gifted & Talented	6,500	0	(6,500)	0
Transportation	12,078	12,781	703	23,911
BOCES Flowthrough	28,500	33,667	5,167	38,906
Other	<u>88,488</u>	<u>89,737</u>	<u>1,249</u>	<u>6,532</u>
Total State Sources	2,521,003	2,540,455	19,452	2,484,200
From Federal Sources				
Federal	20,869	20,869	0	23,684
BOCES Flowthrough	<u>23,575</u>	<u>22,871</u>	(704)	<u>24,427</u>
Total Federal Sources	<u>44,444</u>	<u>43,740</u>	(704)	<u>48,111</u>
Total Revenues	3,247,796	3,310,816	63,020	3,277,699
 Expenditures	 <u>4,560,987</u>	 <u>2,752,856</u>	 <u>1,808,131</u>	 <u>3,415,781</u>
 Excess of Revenues over (under) Expenditures and Other Sources	 (1,313,191)	 557,959	 1,871,150	 (138,082)
 Other Financing Sources (Uses) Operating Transfers In (Out)	 <u>(246,000)</u>	 <u>(247,000)</u>	 <u>(1,000)</u>	 <u>(120,487)</u>
 Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	 (1,559,191)	 310,959	 1,870,150	 (258,569)
 Fund Balance - Beginning	 <u>1,559,191</u>	 <u>1,559,191</u>	 <u>0</u>	 <u>1,817,760</u>
 Fund Balance - Ending	 <u>0</u>	 <u>1,870,151</u>	 <u>1,870,151</u>	 <u>1,559,191</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
General Fund
Statement of Expenditures - Budget and Actual
For the Year Ended June 30, 2016
With Comparative Actual Amounts for the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior <u>Year</u>
INSTRUCTION				
Current				
Salaries	1,040,678	972,119	68,559	1,198,417
Employee Benefits	368,051	357,061	10,990	455,354
Purchased Services	139,947	141,871	(1,924)	122,196
Supplies and Material	57,224	52,134	5,090	58,879
Other	800	134	666	55
Capital Outlay	<u>14,300</u>	<u>5,465</u>	<u>8,835</u>	<u>12,419</u>
Total Instruction	1,621,000	1,528,784	92,216	1,847,320
 SUPPORTING SERVICES				
Students				
Current				
Salaries	41,278	41,278	0	41,278
Employee Benefits	15,994	15,722	272	15,275
Purchased Services	11,229	11,026	203	9,207
Supplies and Material	6,350	8,789	(2,439)	10,118
Other	3,500	796	2,704	200
Capital Outlay	<u>200</u>	<u>0</u>	<u>200</u>	<u>0</u>
Total Students	78,551	77,612	939	76,078
 Instructional Staff Services				
Current				
Salaries	15,063	16,858	(1,795)	18,451
Employee Benefits	3,043	3,416	(373)	3,575
Purchased Services	13,700	12,595	1,105	12,407
Supplies and Material	8,600	6,185	2,415	5,330
Capital Outlay	<u>400</u>	<u>0</u>	<u>400</u>	<u>0</u>
Total Instructional Staff	40,806	39,055	1,751	39,764
 General Administration				
Current				
Salaries	62,260	58,337	3,923	47,838
Employee Benefits	21,788	18,824	2,964	19,043
Purchased Services	25,214	22,912	2,302	25,406
Supplies and Material	10,500	7,358	3,142	7,831
Other	12,500	14,323	(1,823)	10,547
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Administration	132,262	121,755	10,507	110,664

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior Year
School Administration				
Current				
Salaries	210,596	214,003	(3,407)	217,166
Employee Benefits	78,668	77,440	1,228	78,359
Purchased Services	1,200	1,420	(220)	882
Supplies and Material	500	0	500	0
Other	1,000	520	480	650
Capital Outlay	<u>2,000</u>	<u>0</u>	<u>2,000</u>	<u>380</u>
Total School Administration	293,964	293,383	581	297,365
Business				
Current				
Salaries	60,400	60,400	0	60,400
Employee Benefits	13,527	14,020	(493)	21,664
Purchased Services	37,904	37,608	296	24,464
Supplies and Material	1,100	773	327	622
Other	500	0	500	189
Capital Outlay	<u>500</u>	<u>0</u>	<u>500</u>	<u>0</u>
Total Business	113,931	112,802	1,129	107,339
Operations & Maintenance				
Current				
Salaries	76,056	76,840	(784)	74,567
Employee Benefits	30,675	30,815	(140)	29,514
Purchased Services	164,400	145,427	18,973	401,762
Supplies and Material	136,300	115,209	21,091	128,478
Other	0	0	0	268
Capital Outlay	<u>4,300</u>	<u>2,666</u>	<u>1,634</u>	<u>98,372</u>
Total Operations & Maintenance	411,731	370,958	40,773	732,959
Pupil Transportation				
Current				
Salaries	17,650	15,025	2,625	16,471
Employee Benefits	3,565	3,628	(63)	3,674
Purchased Services	49,950	59,959	(10,009)	33,565
Supplies and Material	16,000	12,025	3,975	14,263
Capital Outlay	<u>800</u>	<u>40</u>	<u>760</u>	<u>0</u>
Total Pupil Transportation	87,965	90,677	(2,712)	67,972

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Support Services				
Current				
Salaries	1,000	0	1,000	20,678
Benefits	202	0	202	7,815
Purchased Services	125,122	100,702	24,420	98,233
Supplies and Material	6,000	7,277	(1,277)	5,692
Capital Outlay	<u>8,000</u>	<u>6,144</u>	<u>1,856</u>	<u>86</u>
Total Central Services	<u>140,324</u>	<u>114,123</u>	<u>26,201</u>	<u>132,504</u>
Total Support Services	1,299,534	1,220,363	79,171	1,564,645
Debt Service	73,900	3,710	70,190	3,815
Contingency Reserve	<u>1,566,553</u>	<u>0</u>	<u>1,566,553</u>	<u>0</u>
TOTAL EXPENDITURES	<u>4,560,987</u>	<u>2,752,856</u>	<u>1,808,131</u>	<u>3,415,781</u>

SPECIAL REVENUE FUNDS

Food Services Fund - to account for the revenues and expenditures associated with providing hot meals to students, teachers, and visitors.

Student Activity Fund - to account for the revenues reported and the expenditures of each of the activities reported.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Food Services Special Revenue Fund
 Comparative Balance Sheet

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash	19,013	5,273	13,740
Accounts & Grants Receivable	431	4,070	(3,640)
Inventory	<u>6,328</u>	<u>5,809</u>	<u>518</u>
Total Current Assets	<u>25,771</u>	<u>15,152</u>	<u>10,619</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	0	10	(10)
Accrued Sick Leave	4,271	3,240	1,031
Accrued Salaries & Benefits	<u>9,433</u>	<u>8,687</u>	<u>746</u>
Total Liabilities	13,705	11,938	1,767
Unearned Revenue	2,116	1,885	231
Fund Balance			
Nonspendable	6,328	5,809	518
Assigned	<u>3,623</u>	<u>(4,479)</u>	<u>8,102</u>
Total Fund Balance	<u>9,950</u>	<u>1,330</u>	<u>8,620</u>
Total Liabilities and Fund Balance	<u>25,771</u>	<u>15,152</u>	<u>10,619</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Food Services Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	40,500	40,719	219	45,300
State Grants	1,850	1,608	(242)	1,647
Federal aid	33,000	36,584	3,584	47,301
Commodities Donated	<u>8,000</u>	<u>6,132</u>	<u>(1,868)</u>	<u>4,343</u>
Total Revenue	83,350	85,044	1,694	98,591
EXPENDITURES				
Salaries	43,352	47,390	(4,038)	52,290
Benefits	24,339	23,230	1,109	23,924
Purchased Services	7,000	6,961	39	2,592
Food, Milk & Snacks	50,300	50,107	193	55,757
Supplies	9,225	3,735	5,490	2,951
Capital Outlay	3,000	0	3,000	428
Appropriated Reserve	<u>2,464</u>	<u>0</u>	<u>2,464</u>	<u>0</u>
Total Expenditures	<u>139,680</u>	<u>131,424</u>	<u>8,256</u>	<u>137,942</u>
Excess of Revenues over (under) Expenditures and Other Sources	(56,330)	(46,380)	9,950	(39,351)
Other Financing Sources				
Operating Transfers In	<u>55,000</u>	<u>55,000</u>	<u>0</u>	<u>14,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(1,330)	8,620	9,950	(25,351)
Fund Balance - Beginning	<u>1,330</u>	<u>1,330</u>	<u>(0)</u>	<u>14,903</u>
Fund Balance - Ending	<u>0</u>	<u>9,950</u>	<u>9,950</u>	<u>1,330</u>

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

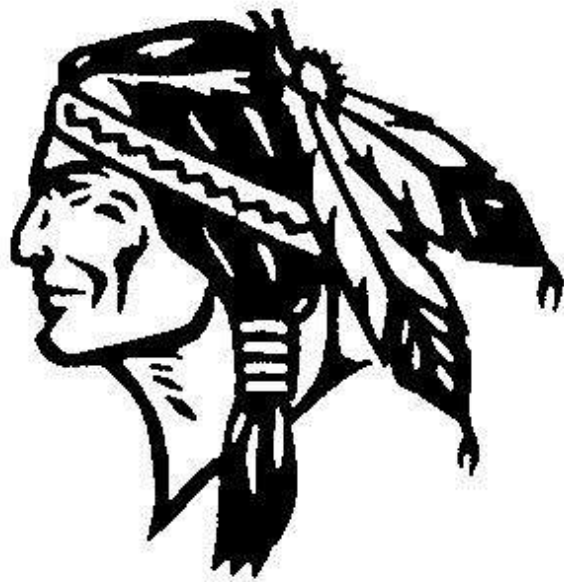
ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Student Activity Special Revenue Fund
Comparative Balance Sheet

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
ASSETS			
Cash	<u>1,466</u>	<u>5,593</u>	<u>(4,128)</u>
ASSIGNED FUND BALANCE	<u>1,466</u>	<u>5,593</u>	<u>(4,128)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>	Actual Prior <u>Year</u>
REVENUES				
Gate/Door Admissions		16,720		13,961
Fees		22,316		19,707
Tickets/Passes		2,040		1,590
Other Income		<u>4,522</u>		<u>756</u>
Total Revenues	58,700	45,598	(13,102)	36,014
EXPENDITURES				
Current				
Purchased Services		40,534		30,049
Supplies		<u>23,191</u>		<u>17,181</u>
Total Expenditures	<u>77,293</u>	<u>63,726</u>	<u>13,567</u>	<u>47,231</u>
Excess of Revenues over (under) Expenditures	(18,593)	(18,128)	465	(11,217)
Operating Transfer In	<u>13,000</u>	<u>14,000</u>	<u>1,000</u>	<u>13,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(5,593)	(4,128)	1,465	1,783
Fund Balance - Beginning	<u>5,593</u>	<u>5,593</u>	<u>0</u>	<u>3,810</u>
Fund Balance - Ending	<u>0</u>	<u>1,466</u>	<u>1,466</u>	<u>5,593</u>

The accompanying notes are an integral part of these statements.



CAPITAL PROJECTS FUND

Capital Reserve Fund - to account for acquisition of land or improvements and construction of structures thereon, or acquisition of land with existing structures thereon and equipment and furnishing therein; construction of additions to existing structures; procurement of equipment for new buildings and additions to existing buildings and installation thereof; alterations and improvements to existing; installment purchase agreements or lease agreements with an option to purchase for a period not to exceed twenty years under which a school district becomes entitled to the use of real property and related equipment for a school site, building, or structure. Also allowed are lease agreements with option to purchase for a period of one year or less, including lease agreements consisting of a series of one-year terms renewable at the option of the district. Financing is provided by transfers from the General Fund.

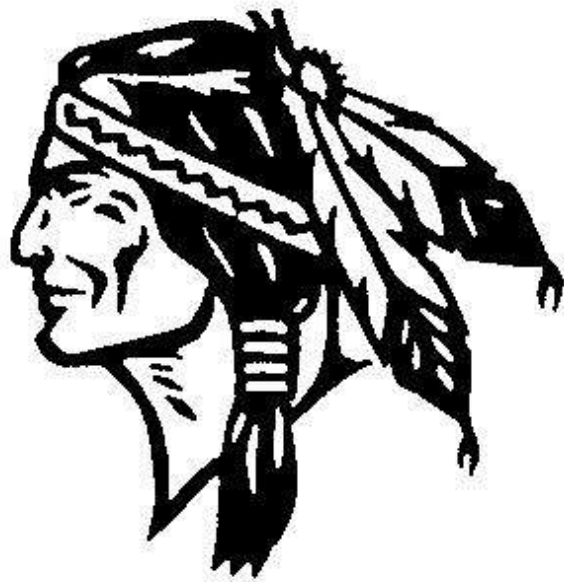
ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Capital Reserve Capital Projects Fund
Comparative Balance Sheet

ASSETS	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Cash	<u>123,146</u>	<u>81,870</u>	<u>41,276</u>
FUND BALANCE			
Committed for Capital Projects	<u>123,146</u>	<u>81,870</u>	<u>41,276</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Capital Reserve Capital Projects Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2016
 With Comparative Actual Amounts for the Year Ended June 30, 2015

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
REVENUES				
Local Sources				
Investment Earnings	40	33	(7)	68
Donations	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Revenues	40	33	(7)	68
 EXPENDITURES				
Capital Outlay				
Site Improvement	32,053	0	32,053	0
Equipment	0	42,323	(42,323)	39,728
Vehicles	73,000	73,000	0	0
Noncapital Equipment	<u>35,000</u>	<u>21,434</u>	<u>13,566</u>	<u>0</u>
Total Capital Outlay	140,053	136,757	3,296	39,728
Other				
Repairs & other	27,365	0	27,365	40,514
Appropriated Reserves	<u>92,492</u>	<u>0</u>	<u>92,492</u>	<u>0</u>
Total Expenditures	<u>259,910</u>	<u>136,757</u>	<u>123,153</u>	<u>80,242</u>
Excess of Revenues over (under) Expenditures	(259,870)	(136,724)	123,146	(80,175)
 Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>178,000</u>	<u>178,000</u>	<u>0</u>	<u>66,487</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(81,870)	41,276	123,146	(13,687)
Fund Balance - Beginning	<u>81,870</u>	<u>81,870</u>	<u>(0)</u>	<u>95,557</u>
Fund Balance - Ending	<u>0</u>	<u>123,146</u>	<u>123,146</u>	<u>81,870</u>

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



AGENCY FUND

Student Activity Fund - used to act as custodian for the classes and activities of the district.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2016

	Balance <u>7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/16</u>
Clearing account	153	0	0	153
Class of 2015	1,578	0	1,578	0
Class of 2016	4,325	0	3,763	562
Class of 2017	1,833	8,123	5,591	4,365
Class of 2018	601	1,227	287	1,541
Class of 2019	0	2,117	1,322	795
Class of 2020	0	8	45	(36)
After Prom	374	3,615	3,567	422
Band	8,532	6,954	9,582	5,903
Book Talk	517	0	0	517
Cheerleaders - HS	(337)	104	104	(337)
AP Government Fund	(26)	26	0	(0)
Cross Country	410	0	0	410
Drama	(389)	4,415	1,907	2,119
Elementary Fundraising	150	1,540	470	1,220
Elementary Student Senate	1,602	654	673	1,583
FBLA	798	0	0	798
F C A	(476)	0	0	(476)
"K" club	18	0	0	18
Library	6,573	2,409	2,662	6,320
Matchwits	(6)	6	0	0
NHS	(254)	273	601	(582)
Junior NHS	366	0	385	(19)
Student Council - HS	761	3,465	2,132	2,094
Student Council - MS	968	571	843	697
VB camp	(1,269)	3,400	1,830	301
Vocal	(39)	39	0	(0)
WEB Leaders	(37)	37	0	(0)
Yearbook	1,623	5,048	7,593	(922)
MS Clearing Account	388	0	0	388

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2016
 (continued)

	Balance <u>7/1/15</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/16</u>
MS Science Account	328	3,769	3,967	130
HS Football Camp	360	2,968	902	2,426
HS Wrestling Camp	(209)	250	0	41
HS Baseball Camp	(488)	273	0	(215)
HS Basketball Boys	(587)	350	332	(569)
AP Exams	(478)	3,287	2,820	(11)
Wash DC trip - 2015	2,492	0	0	2,492
Randy Wilson Memorial	3,800	0	200	3,600
HS Basketball Girls	(1,491)	5,048	3,720	(163)
MSBB Camp	25	0	0	25
Concession Bldg/Bleachers	432	0	0	432
HS Science Club	216	40	18	238
Elementary TRIBE	675	2,525	1,673	1,527
School Sign	1,824	1,578	0	3,402
MS TRIBE	0	1,077	1,085	(7)
Arts/crafts	1,633	403	153	1,883
Books/fines/fees	693	791	890	594
Donations	(868)	0	0	(868)
Field trips	(107)	2,489	2,378	4
General activities	(307)	525	1,122	(904)
PE Fund Raising	361	8,892	3,393	5,859
PE Fund Raising	124	0	0	124
Supplies	(164)	764	597	2
Shop - Wood/Auto	142	0	0	142
Distant Learning Fee	3,974	867	806	4,036
Section 125 Account	986	400	1,386	0
PBS Fund	<u>135</u>	<u>1,000</u>	<u>1,046</u>	<u>89</u>
Total	42,233	81,328	71,423	52,137
 Budget	 <u>42,233</u>	 <u>130,000</u>	 <u>172,233</u>	 <u>0</u>
 Variance - Favorable (Unfavorable)	 <u>(0)</u>	 <u>(48,672)</u>	 <u>100,810</u>	 <u>52,137</u>

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

AUDITOR'S INTEGRITY REPORT



Colorado Department of Education
Auditors Integrity Report
 District 0930 - KIOWA C-2
 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	1,559,191		3,063,816		2,752,856		1,870,151
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	1,559,191		3,063,816		2,752,856		1,870,151
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	0		0		0		0
21 Food Service Spec Revenue Fund	1,330		140,044		131,424		9,950
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	5,593		59,598		63,726		1,466
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	81,870		178,033		136,757		123,146
Totals	1,647,985		3,441,480		3,084,762		2,004,713
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	42,233		81,328		71,423		52,137
79 GASB 34:Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	42,233		81,328		71,423		52,137
			FINAL				

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