

East Grand School District No. 2

Annual Financial Report

June 30, 2017



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**East Grand School District No. 2  
Annual Financial Report  
June 30, 2017**

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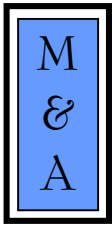
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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Education  
East Grand School District No. 2  
Granby, Colorado**

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall financial statement presentation.

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

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S OPINION  
To the Board of Education  
East Grand School District No. 2**

***Opinions***

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

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

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as whole. The combining fund financial statements, individual budgetary schedules and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as whole.

**INDEPENDENT AUDITOR'S OPINION  
To the Board of Education  
East Grand School District No. 2**

***Other Matters (continued)***

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
December 19, 2017**

East Grand School District No. 2

Management's Discussion and Analysis



**East Grand School District No. 2**  
**Management's Discussion and Analysis**  
**As of and for the Fiscal Year Ended June 30, 2017**

As management of the East Grand School District No. 2 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017.

**Financial Highlights**

- The liabilities of the District exceeded its assets at year end by \$19,943,090. This deficit net position is primarily the result of the District's share of PERA's net pension liability.
- The District's total net position decreased by \$7,809,088. This is considered a small change compared to the size of the District's operations.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$7,194,616, which decreased \$537,505 from the prior year. The majority of this change relates to the Capital Reserve Capital Projects Fund.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$3,943,010 or 33% of total General Fund expenditures and transfers of \$12,092,370. The District has continued to weather the economic challenges facing the state of Colorado and its ability to fund education. The District's General Fund includes the Insurance Reserve Fund, as required by the Colorado Department of Education.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**District-wide Financial Statements:** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The district-wide financial statements can be found on pages C1 and C2 of this report.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund, instead of the District as a whole. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as, on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The East Grand School District No. 2 maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Food Service Fund, Designated Purpose Grants Fund, Bond Redemption Fund, and Capital Reserve Capital Projects Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided to demonstrate compliance with state budget statutes and are included in Sections E and F of this report.

The basic major governmental fund financial statements can be found on pages C3 through C6.

**Fiduciary Funds:** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the district-wide financial statements because the resources of these funds are not available to support the District's own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The Fiduciary Fund used by the District accounts for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education. The basic Fiduciary Fund financial statement can be found on page C7 of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes. Combining fund statements and schedules can be found on pages F3 and F4 of this report.

## District-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the East Grand School District No. 2, liabilities exceed assets by \$19,943,090 at year end.

### East Grand School District No. 2 Summary of Net Position:

	Governmental Activities	
	FY 2017	FY 2016
Assets:		
Current and other assets	\$ 8,965,158	\$ 9,383,491
Capital assets	31,768,032	33,221,442
Total Assets	<u>40,733,190</u>	<u>42,604,933</u>
Deferred Outflows of resources	<u>22,534,271</u>	<u>6,071,308</u>
Liabilities:		
Other liabilities	1,537,543	1,445,396
Long-term liabilities	81,062,705	58,293,281
Total Liabilities	<u>82,600,248</u>	<u>59,738,677</u>
Deferred Inflows of resources	610,303	1,071,566
Net Position:		
Net Investment in capital assets	2,783,699	1,765,332
Restricted	2,952,043	3,173,424
Unrestricted	(25,678,832)	(17,072,758)
Total Net Position	<u>\$ (19,943,090)</u>	<u>\$ (12,134,002)</u>

Of the District's total net position, -14% reflects its investment in capital assets (e.g. land, buildings and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students and the community; consequently, these assets are not available for future spending. Although the East Grand School District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's long-term liabilities increased due to an increase in the District's share of PERA's net pension liability of \$25,185,474. This resulted in a year end net pension liability for the District of \$51,759,537. This change is partially related to changes in assumptions on the liability utilized by PERA's actuaries, which included a change in the assumed rate of return on PERA's investments from 7.50% to 5.26%

**District-wide Financial Analysis (continued):**

East Grand School District No. 2 Changes in Net Assets:

	Governmental Activities	
	FY 2017	FY 2016
Revenues:		
<i>Program revenues</i>		
Charges for services	374,506	338,145
Operating grants and contributions	827,784	796,878
<i>General revenues</i>		
Property taxes	11,128,163	11,323,252
Specific ownership taxes	740,188	694,884
State revenue	2,241,512	2,541,288
Investment earnings	41,261	17,428
Other	890,456	1,176,846
Total revenues	<u>16,243,870</u>	<u>16,888,721</u>
Expenditures:		
Direct instruction	14,123,201	9,152,910
Indirect instruction	2,324,321	1,520,796
Transportation	944,125	682,538
Custodial maintenance	1,976,721	1,473,197
Support services	460,304	313,139
General administration	2,485,872	1,680,452
Community service	1,909	2,846
Student activities	441,600	418,856
Interest	787,599	806,346
Food services	507,306	378,338
Total Expenses	<u>24,052,958</u>	<u>16,429,418</u>
Change in net position	(7,809,088)	459,303
Net position - July 1	<u>(12,134,002)</u>	<u>(12,593,305)</u>
Net position - June 30	<u><u>(19,943,090)</u></u>	<u><u>\$ (12,134,002)</u></u>

**Governmental Activities:** As indicated above, governmental activities changed the District's net position by \$7,809,088. Key elements of this change are as follows:

- The increase of the net pension liability of \$25,185,474 was allocated to the above expenses in relation to salary costs.

## Financial Analysis of the District's Funds

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

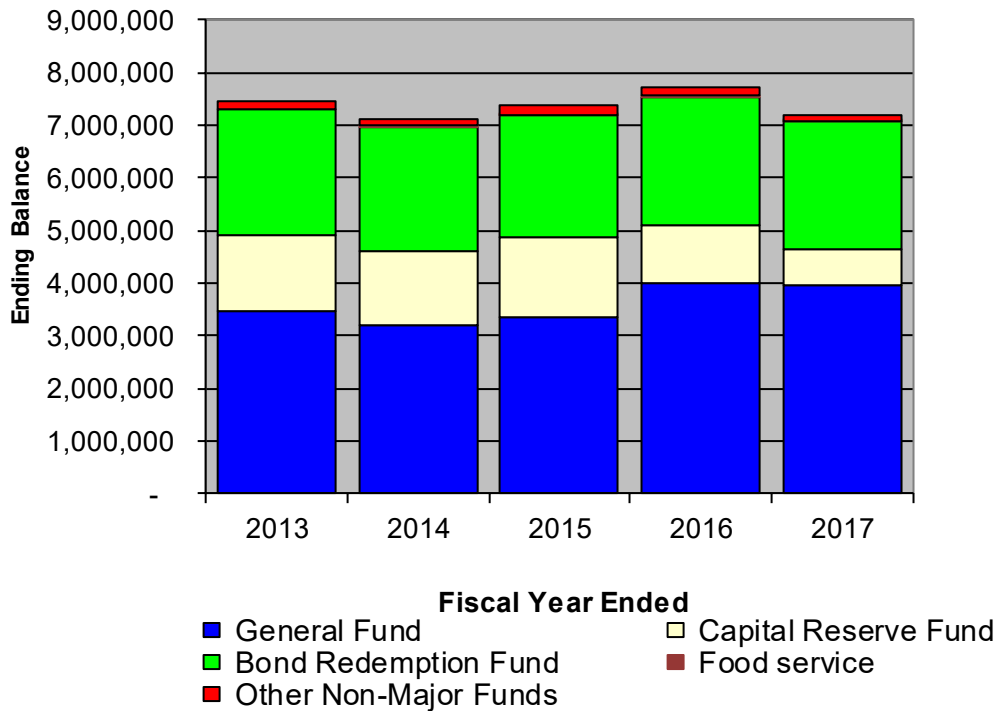
**Governmental Funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful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

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7,194,616 which decreased by \$537,505 from the prior year ending fund balances. The majority of this decrease is related to improvements for the District's buildings and facilities.
- Of the ending fund balance a portion is restricted to servicing required debt principal and interest payments, as well as the required 3% TABOR emergency reserve.

### Fund Balance Trending:

The following graph provides a view of the District's ending fund balances for the last five fiscal years:

**Schedule of Ending Fund Balances**



As shown above in the bar graph the District's General Fund ending fund balance decreased as a result of decreased available revenues, primarily a property tax abatement.

**Budget Variances in the General Fund:** The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Generally, the most important variances to discuss are those between the budgeted and actual revenues and expenditures in the General Fund

<b>REVENUES</b>	<b>Variance Positive (Negative)</b>	<b>Reason</b>
Taxes:		
Property taxes	(77,134)	Property tax abatement
Other	212,008	YMCA contribution of one-half of refunded interest on property tax abatement
<b>EXPENDITURES</b>		
Direct instruction	160,277	Conservative spending
Indirect instruction	(21,485)	Higher testing costs and payroll related
Transportation	33,835	New bus required less maintenance and savings in fuel costs

The District had a favorable expenditure variance to the final budget in the amount of \$171,492 or 1.0%.

**Budget Amendments**

The District made budget appropriation amendments during the year. Comparative information can be found in the E and F sections of this report.

**Capital Assets:** The District's governmental capital assets, net of accumulated depreciation, totaled \$31,768,032 as of June 30, 2017. The District capitalizes assets, including land, buildings and improvements, vehicles, equipment, and construction in progress, with an original cost greater than \$5,000 and useful life of more than two years.

Additional information, as well as, a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in section D of this report.

**Long-Term Debt:** As of the end of the current fiscal year, the District's long-term debt totaled \$81,062,705.

Additional information, as well as, a detailed classification of the District's total long-term liabilities, can be found in the Notes to the Financial Statements in section D of this report.

**Economic Factors and Outlook**

While property valuation in Grand County remains relatively flat, the District is seeing increases in pupil count which may have an impact on future revenues.

**Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Grand School District No. 2, Business Services, P.O. Box 125, Granby, Colorado 80446.

East Grand School District No. 2

Basic Financial Statements



**East Grand School District No. 2**  
**Statement of Net Position**  
**June 30, 2017**

	<b>Primary Government Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents - Unrestricted	7,852,775
Accounts, taxes, and interest receivable	588,336
Due from other governments	443,401
Prepaid expenses	73,973
Inventory	6,673
Total current assets	8,965,158
Capital assets:	
Construction in progress	173,940
Land	524,414
Buildings and improvements	56,647,039
Equipment	1,172,182
Vehicles	1,879,967
Less: Accumulated depreciation	(28,629,510)
Total capital assets	31,768,032
Total assets	40,733,190
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred charges on refunding, net	2,602,917
Pension related deferred outflows	19,931,354
Total deferred outflows of resources	22,534,271
<b>LIABILITIES</b>	
Current liabilities:	
Accounts, retainage, arbitrage & deposits payable	172,705
Accrued compensation	1,276,809
Accrued interest	88,029
Unearned revenue	42,693
Total current liabilities	1,580,236
Noncurrent liabilities:	
Compensated absences	318,835
Bonds and capital leases	
Due within one year	2,028,230
Due in more than one year	26,956,103
Net pension liability	
Due in more than one year	51,759,537
Total noncurrent liabilities	81,062,705
Total liabilities	82,642,941
<b>DEFERRED INFLOW OF RESOURCES</b>	
Pension related deferred inflow	567,610
Total deferred inflows of resources	567,610
<b>EQUITY</b>	
Net Investment in Capital Assets	2,783,699
Restricted for:	
TABOR	316,000
Capital projects	198,608
Other purposes	6,000
Debt service	2,431,436
Unrestricted	(25,678,833)
Total net position	(19,943,090)

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

**East Grand School District No. 2**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses)</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Revenue and Changes in Net Position</u>
<b>Functions/Programs:</b>					<b>Primary Governmental Activities</b>
<b>Primary Government</b>					
Governmental Activities:					
Direct instruction	14,123,201	95,186	483,556	-	(13,544,459)
Indirect instruction	2,324,321	-	63,278	-	(2,261,043)
Transportation	944,125	9,325	108,351	-	(826,449)
Custodial and maintenance	1,976,721	-	-	-	(1,976,721)
Support services	460,304	-	-	-	(460,304)
General administration	2,485,872	-	-	-	(2,485,872)
Community service	1,909	-	-	-	(1,909)
Student activities	441,600	84,411	-	-	(357,189)
Food service	507,306	185,584	172,599	-	(149,123)
Interest	787,599	-	-	-	(787,599)
Total governmental activities	<u>24,052,958</u>	<u>374,506</u>	<u>827,784</u>	<u>-</u>	<u>(22,850,668)</u>
Total primary government	<u>24,052,958</u>	<u>374,506</u>	<u>827,784</u>	<u>-</u>	<u>(22,850,668)</u>
<b>General revenues:</b>					
Taxes					
Local property taxes levied for general purposes					8,008,930
Local property taxes levied for debt payments					2,866,467
Local property taxes levied for transportation					252,766
Specific ownership taxes					740,188
State equalization revenue					2,241,512
Grants and contributions not restricted to specific programs					890,456
Interest and investment earnings					41,261
Total general revenues and transfers					<u>15,041,580</u>
Change in net position					(7,809,088)
<b>Net position, beginning</b>					<u>(12,134,002)</u>
<b>Net position, ending</b>					<u>(19,943,090)</u>

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

**East Grand School District No. 2**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Designated Purpose Grant Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND OTHER DEBITS</b>							
Assets:							
Cash and cash equivalents - Unrestricted	4,717,521	16,981	34,982	2,292,845	684,599	105,847	7,852,775
Accounts, taxes, and interest receivable	502,581	27,050	40,123	140,712	18,609	24,329	753,404
Prepaid expenses	73,973	-	-	-	-	-	73,973
Inventory	-	6,673	-	-	-	-	6,673
Due from other funds	10,972	-	-	-	-	-	10,972
	<u>5,305,047</u>	<u>50,704</u>	<u>75,105</u>	<u>2,433,557</u>	<u>703,208</u>	<u>130,176</u>	<u>8,697,797</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>							
Liabilities:							
Accounts and other current payables	144,757	12,044	10,545	-	15,375	1,554	184,275
Accrued compensation	1,217,280	18,205	33,435	-	-	7,889	1,276,809
Due to other funds	-	8,851	-	2,121	-	-	10,972
	<u>1,362,037</u>	<u>39,100</u>	<u>43,980</u>	<u>2,121</u>	<u>15,375</u>	<u>9,443</u>	<u>1,472,056</u>
Deferred Inflows of Resources:							
Deferred inflow of grant revenue	-	-	31,125	-	-	-	31,125
Fund balances:							
Non-spendable	73,973	6,673	-	-	-	-	80,646
Spendable:							
Restricted	316,000	-	-	2,431,436	-	-	2,747,436
Committed	150,000	4,931	-	-	687,833	120,733	963,497
Assigned	69,683	-	-	-	-	-	69,683
Unassigned	3,333,354	-	-	-	-	-	3,333,354
	<u>3,943,010</u>	<u>11,604</u>	<u>-</u>	<u>2,431,436</u>	<u>687,833</u>	<u>120,733</u>	<u>7,194,616</u>
Total liabilities deferred inflows and fund balances	<u>5,305,047</u>	<u>50,704</u>	<u>75,105</u>	<u>2,433,557</u>	<u>703,208</u>	<u>130,176</u>	<u>8,697,797</u>

The notes to the financial statements are an integral part of this statement.

**East Grand School District No. 2**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

Governmental Funds Total Fund Balance		7,194,616
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*Add:*

Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.		278,335
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:

	Capital assets	60,397,542	
Accumulated depreciation		<u>(28,629,510)</u>	31,768,032

*Less:*

Deferred charges such as bond issuance costs, deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:

	Deferred refunding costs	2,602,917	
Premiums and discounts on bonded debt		<u>(2,574,545)</u>	28,372

Long-term liabilities, including bonds payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:

	Bond debt and interest coupons	(25,090,000)	
Accrued compensated absences		(318,835)	
Leases payable		(1,319,788)	
Accrued interest		<u>(88,029)</u>	(26,816,652)

Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members.

	Deferred pension outflows	19,931,354	
Net pension liability		(51,759,537)	
Deferred pension inflows		<u>(567,610)</u>	<u>(32,395,793)</u>

Governmental Activities Net Position		<u><u>(19,943,090)</u></u>
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The accompanying notes are an integral part of these financial statements.

**East Grand School District No. 2**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Designated Purpose Grant Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>							
Taxes:							
Property taxes	7,999,703	-	-	2,864,527	-	252,766	11,116,996
Specific ownership taxes	723,925	-	-	-	-	16,263	740,188
Intergovernmental - State revenue	2,323,546	6,256	122,147	-	-	95,154	2,547,103
Intergovernmental - Federal revenue	808,770	166,342	241,790	-	7,426	-	1,224,328
Interest income	41,261	-	-	-	-	-	41,261
Other	136,400	185,584	73,002	(20,694)	90,924	97,608	562,824
Total revenues	<u>12,033,605</u>	<u>358,182</u>	<u>436,939</u>	<u>2,843,833</u>	<u>98,350</u>	<u>461,791</u>	<u>16,232,700</u>
<b>EXPENDITURES</b>							
Direct instruction	7,058,641	-	161,627	-	-	26,738	7,247,006
Indirect instruction	1,193,243	-	236,157	-	-	-	1,429,400
Transportation	106,169	-	-	-	-	418,379	524,548
Custodial and maintenance	1,493,899	-	-	-	-	-	1,493,899
Support services	311,678	-	37,247	-	-	-	348,925
General administration	1,447,108	-	-	-	-	658	1,447,766
Community service	-	-	1,908	-	-	-	1,908
Student activities	-	-	-	-	-	414,862	414,862
Food Service	-	373,556	-	-	-	-	373,556
Debt service:							
Principal	-	-	-	1,760,000	218,356	-	1,978,356
Interest and fiscal charges	-	-	-	1,091,494	62,228	-	1,153,722
Other	-	-	-	3,221	-	-	3,221
Capital outlay	-	-	-	-	351,316	1,720	353,036
Total expenditures	<u>11,610,738</u>	<u>373,556</u>	<u>436,939</u>	<u>2,854,715</u>	<u>631,900</u>	<u>862,357</u>	<u>16,770,205</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>422,867</u>	<u>(15,374)</u>	<u>-</u>	<u>(10,882)</u>	<u>(533,550)</u>	<u>(400,566)</u>	<u>(537,505)</u>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in (out)	(481,632)	15,000	-	-	120,111	346,521	-
Total other financing sources (uses)	<u>(481,632)</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>120,111</u>	<u>346,521</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(58,765)	(374)	-	(10,882)	(413,439)	(54,045)	(537,505)
<b>FUND BALANCES, BEGINNING (RESTATED)</b>	4,001,775	11,978	-	2,442,318	1,101,272	174,778	7,732,121
<b>FUND BALANCES, ENDING</b>	<u>3,943,010</u>	<u>11,604</u>	<u>-</u>	<u>2,431,436</u>	<u>687,833</u>	<u>120,733</u>	<u>7,194,616</u>

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

**East Grand School District No. 2**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2017**

Governmental Funds Change in Fund Balances	(537,505)
<i>Add:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	336,403
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	1,978,356
<i>Less:</i>	
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	11,169
Accrued compensated absences 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. This is the change in accrued compensated absences during the year.	(55,727)
Amortization of deferred costs such as premium and discounts and deferred charges from refunding and changes in accrued interest have no impact on current available resources but do change government-wide net position.	366,123
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(1,789,813)
Change in the District's net pension obligation 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. This is the change in the District's net pension obligation during the year, including differences between employer contributions to the pension plan and amortization of pension-related deferrals.	<u>(8,118,094)</u>
Governmental Activities Change in Net Position	<u><u>(7,809,088)</u></u>

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

**East Grand School District No. 2**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2017**

	<b>Student Activity Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	186,799
Accounts receivable	5,754
	<hr/>
Total assets	192,553
	<hr/> <hr/>
<b>LIABILITIES</b>	
Due to student activities and other organizations	192,553
	<hr/> <hr/>

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

East Grand School District No. 2

Notes to the Basic Financial Statements



**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**

**I. Summary of Significant Accounting Policies**

The East Grand School District No. 2 (the "District") was formed in 1893 and is located in Colorado's central Rocky Mountains. More specifically, the District is located in the eastern portion of Grand County. The District provides services to approximately two thousand two hundred forty-three (1,243) students. The District's mission is "*As a result of our efforts, students will graduate as self-reliant and productive citizens, prepared to pursue the careers of choice through further education and training.*" The District operates the following schools:

<b>Elementary Schools</b>	<b>Middle School</b>	<b>High School</b>
Fraser Valley Elementary Granby Elementary	East Grand Middle School	Middle Park High School

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

**A. Reporting Entity**

The District was formed under the laws of the State of Colorado and operates under an elected Board of Education. As required by GAAP, the financial statements of the reporting entity include those of the District. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the above criteria, the District has identified one discretely presented component unit.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

**B. Government-wide and Fund Financial Statements**

The District's basic financial statements include both district-wide (financial activities of the overall District and its component units, except for fiduciary activities) and fund financial statements (reporting the District's major funds). For the most part, the effect of interfund activity has been removed from these statements. Both the district-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no activities which meet the reporting requirements for business-type activities.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**1. District-wide Financial Statements**

In the district-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The district-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

The district-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following Fund Types and major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund has consolidated the Insurance Reserve Fund.

*Special Revenue Funds* are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The District reports the Food Service Fund and Grant Fund as major special revenue funds. Grant proceeds are the committed revenues used to establish the funds.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

*Capital Projects Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The District reports the Capital Reserve Capital Projects Fund as major capital projects fund.

*Debt Service Funds* are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. The District reports the Bond Redemption Fund as a major debt service funds.

The District reports the following fiduciary fund:

The *Student Activity Agency Fund* accounts for assets held by the District as an agent for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

The governmental activities in the government-wide financial statements, and the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**2. Current Financial Focus and Modified Accrual Basis**

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

**3. Financial Statement Presentation**

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not have any proprietary funds.

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents are defined as demand deposits which can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less and insured by the Federal Deposit Insurance Corporation ("FDIC") and the Public Deposit Protection Act ("PDPA") for amount in excess of FDIC.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**1. Cash, Cash Equivalents, and Investments (continued)**

The District permits investments in the following type of obligations which corresponds with state statutes:

- Local government investment pools
- Obligations of the United States government, including but not limited to U.S. Treasurer bills, notes and bonds
- Repurchase agreements
- Time certificates of deposit or savings accounts
- Government entity investment pools

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable on the fund financial statements.

**4. Inventories**

Inventories are valued at cost, which approximates market, using the first-in/first-out ("FIFO") method.

**5. Interfund Receivables and Payables**

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements.

**6. Deferred Charges on Refunding**

Refunding costs for bonds are deferred and amortized over the term of the refunded debt using the bonds outstanding method.

**7. Capital Assets**

Capital assets, which include construction-in-progress, land, buildings and improvements, vehicles, and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Capital Assets (continued)**

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 35
Vehicles	6 - 7
Equipment	5

**8. Compensated Absences**

Earned but unused sick and personal leave benefits are accrued when incurred in the district-wide financial statements.

**9. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

**10. Pensions**

The District participates in the School Division Trust Fund (the "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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**11. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The District has two items that qualify for reporting in this category. They are the deferred charge on refunding reported in the government-wide statement of net position and the pension related deferred outflows of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized using the bonds outstanding amortization method. The collective deferred outflows of resources related to the District's net pension obligations are related to pension contributions made after the measurement date, and the net difference between projected and actual earnings recognized as a reduction of the net pension liability in future periods.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has one item that qualifies for this type of reporting, pension related deferred inflows. Collective deferred inflows of resources related to the District's net pension obligation are reported on the statement of net position and are amortized over the average service lives of participants.

See Note IV. F. below for discussion on pension related deferred outflows and inflows.

**E. Significant Accounting Policies**

**1. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Significant Accounting Policies (continued)**

**2. Categories and Classification of Fund Balance**

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note IV. F.

**3. Restricted and Unrestricted Resources**

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**II. Reconciliation of District-wide and Fund Financial Statements**

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds and net position of governmental activities* as reported in the District-wide Statement of Net Position. Additionally, the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net change in fund balances – total governmental funds and change in net position of governmental activities* as reported in the District-wide Statement of Activities.

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**A. Budgetary Information (continued)**

3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriations were necessary. The budgetary comparison schedules reflect the original budget and the final budget after legally authorized revisions were made.

**B. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR required, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing net tax revenues gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$316,000 of its June 30, 2017 year-end General Fund balance for emergencies as required under TABOR.

On November 8, 1994, the District's electorate approved to the following ballot measure:

*"Shall the East Grand School District No. 2 taxes be increased \$650,000 annually for [the] current budget year and each budget year thereafter, by authorizing the District to impose an additional property tax mill levy of not more than 5 mills for the District's General Fund for the current budget year and each budget year thereafter; and shall the District be authorized to collect and spend all revenues from said tax increase and any earnings from the investment of such revenues without limitation or condition and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law, such amounts to constitute voter-approved revenue and spending changes pursuant to said Article X, Section 20 of the Colorado Constitution?"*

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation (the "FDIC") or by collateral held under Colorado's Public Deposit Protection Act (the "PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. As of year-end, the carrying amount of the District's cash and investments, including fiduciary funds, was \$8,039,574.

At year end, the District had the following cash and investments with the following maturities:

<u>Type:</u>	<u>Standard and Poor's Credit Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 5,228	5,228	-
Checking accounts	Not Rated	637,542	637,542	-
<i>Investments:</i>				
Investment pool	AAAm	7,396,804	7,396,804	-
		<u>\$ 8,039,574</u>	<u>8,039,574</u>	<u>-</u>
<u>Investments Measured at Net Asset Value</u>		<u>Total</u>		
Colotrust		\$	7,396,804	

*Pools.* The investment pool represents an investment in COLOTRUST which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

*Interest Rate Risk.* As a means of limiting its exposure to interest rate risk, the District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

*Credit Risk.* State law and District policy limit investments to those authorized by State statutes, which, among other investments, include U.S. agencies, commercial paper, local government investment pools, and certain money market funds. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

*Custodial Credit Risk.* For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The District does not have an investment policy that limits the amount of securities that can be held by counterparties.

*Concentration of Credit Risk.* The District places no limit on the amount that it may invest in any one issuer. More than 5% of the District's investments are in the ColoTrust Investment Pool. These investments represented 92% of the District's total deposits and investments.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**B. Receivables**

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Food Service Fund</b>	<b>Bond Redemption Fund</b>
Receivables:			
Taxes	\$ 319,523	-	113,397
Accounts	183,058	27,050	27,315
Gross receivables	502,581	27,050	140,712
Less: allowance for uncollectible	-	-	-
<b>Net Receivables</b>	<b>\$ 502,581</b>	<b>27,050</b>	<b>140,712</b>
	<b>Designated Purpose Grant Fund</b>	<b>Capital Reserve Fund</b>	<b>Other Governmental Funds</b>
Receivables:			
Taxes	-	-	10,483
Accounts	40,123	18,609	13,846
Gross receivables	40,123	18,609	24,329
Less: allowance for uncollectible	-	-	-
<b>Net Receivables</b>	<b>\$ 40,123</b>	<b>18,609</b>	<b>24,329</b>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ 172,083	173,940	(172,083)	173,940
Land	524,414	-	-	524,414
Total capital assets, not being depreciated	<u>696,497</u>	<u>173,940</u>	<u>(172,083)</u>	<u>698,354</u>
Capital assets, being depreciated:				
Buildings and improvements	56,639,839	7,200	-	56,647,039
Vehicles	1,933,907	56,998	(110,938)	1,879,967
Equipment	901,834	270,348	-	1,172,182
Total capital assets being depreciated	<u>59,475,580</u>	<u>334,546</u>	<u>(110,938)</u>	<u>59,699,188</u>
Total capital assets - Cost	<u>60,172,077</u>	<u>508,486</u>	<u>(283,021)</u>	<u>60,397,542</u>
Less: accumulated depreciation for:				
Buildings and improvements	(24,742,111)	(1,557,585)	-	(26,299,696)
Vehicles	(1,652,297)	(74,179)	110,938	(1,615,538)
Equipment	(556,227)	(158,049)	-	(714,276)
Total accumulated depreciation	<u>(26,950,635)</u>	<u>(1,789,813)</u>	<u>110,938</u>	<u>(28,629,510)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 33,221,442</u>	<u>(1,281,327)</u>	<u>(172,083)</u>	<u>31,768,032</u>

The District had the following capital outlay and depreciation expense for the following functions:

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
<b>Governmental activities:</b>		
Direct instruction	\$ 67,266	1,471,473
Indirect instruction	-	8,915
Transportation	56,998	156,670
Custodial and maintenance	181,140	1,440
Support services	-	6,179
General administration	-	138,936
Food service	30,999	6,200
<b>Total governmental activities</b>	<u>\$ 336,403</u>	<u>1,789,813</u>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2017, was as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ 10,972	-
Food Services Fund	-	8,851
Debt Service Fund	-	2,121
	\$ 10,972	10,972

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers for fiscal year 2017 were as follows:

	<b>Transfer In</b>	<b>Transfer (out)</b>
General Fund	\$ -	(481,632)
Capital Reserve Fund	120,111	-
Pupil Activity Fund	346,521	-
Food Service Fund	15,000	-
	\$ 481,632	(481,632)

Transfers provide supplemental funds on an as needed basis.

**E. Long-term Debt**

**1. General Obligation Bonds, Series 2007**

In November 2007, the District's electorate authorized the issuance of general obligation debt in the amount of \$18,250,000. Proceed are being used to add additional classrooms and repair or improve other District facilities. The bonds maturing on and after December 1, 2018 are subject to early redemption equal to the principal amount thereof, plus accrued interest to the redemption date. On September 4, 2014, the District issued the General Obligation Bonds, Series 2014 which refunded all bonds maturing after 2018,

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**1. General Obligation Bonds, Series 2007 (continued)**

The following schedule represents the remaining amounts to be paid under the 2007 bond issue:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 505,000	4.00%	10,100	515,100
<b>Totals</b>	<u>\$ 505,000</u>		<u>10,100</u>	<u>515,100</u>

**2. General Obligation Refunding Bonds, Series 2012**

On January 18, 2012, the District issued \$6,455,000 of General Obligation Refunding Bonds, Series 2012. Proceeds from this bond issue were used to refund a portion of the District's outstanding General Obligation Refunding and Improvement Bonds, Series 2004B.

The bonds maturing on and before December 1, 2021 are not subject to redemption prior to their respective maturity dates. The bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

The following schedule represents the remaining amounts to be paid under the 2012 issue:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 5,000	4.00%	255,831	260,831
2019	810,000	4.00%	239,600	1,049,600
2020	840,000	4.00%	206,600	1,046,600
2021	875,000	4.00%	172,300	1,047,300
2022	915,000	4.00%	136,500	1,051,500
2023-2025	2,954,999	4.00%	180,500	3,135,499
<b>Totals</b>	<u>\$ 6,399,999</u>		<u>1,191,331</u>	<u>7,591,330</u>

**3. General Obligation Refunding Bonds, Series 2014**

On September 4, 2014, the District issued \$20,820,000 of General Obligation Refunding Bonds, Series 2014. Proceeds from this bond issue were used to refund a portion of the District's outstanding General Obligation Bonds, Series 2004, 2004B, and 2007. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 2% to 5%. These bonds mature in varying amounts each year through 2027.

The bonds maturing on and after December 1, 2025, are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**3. General Obligation Refunding Bonds, Series 2014 (continued)**

The following schedule represents the remaining amounts to be paid under the 2014 issue:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>
2018	1,320,000	4.00%	753,900	2,073,900
2019	1,095,000	4.00%	705,600	1,800,600
2020	1,135,000	4.00%	661,000	1,796,000
2021	1,180,000	5.00%	614,700	1,794,700
2022	1,225,000	5.00%	560,475	1,785,475
2023-2027	9,400,000	4.00-5.00%	1,733,075	11,133,075
2028	2,829,999	4.00%	56,600	2,886,599
<b>Totals</b>	<u>18,184,999</u>		<u>5,085,350</u>	<u>23,270,349</u>

**4. Capital Lease Agreements**

The District is obligated under certain lease agreements for copiers and a performance contract. These obligations are accounted for as capital leases. The leased assets and related obligations are accounted for in the Statement of Net Position. The following is a schedule of future minimum rental payments due under the terms of the District's capital leases:

<u>Fiscal Year Ended</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 198,230	54,378	252,608
2019	85,456	48,888	134,344
2020	86,278	45,199	131,477
2021	94,451	41,181	135,632
2022	103,196	36,786	139,982
2023-2027	662,236	97,063	759,299
2028	89,943	1,722	91,665
<b>Totals</b>	<u>\$ 1,319,790</u>	<u>325,217</u>	<u>1,645,007</u>

**5. Schedule of Future Debt Service Payments**

The District's future annual debt service requirements are as follows:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,028,230	1,074,209	3,102,439
2019	1,990,456	994,088	2,984,544
2020	2,061,278	912,799	2,974,077
2021	2,149,451	828,181	2,977,632
2022	2,243,196	733,761	2,976,957
2023-2027	13,017,235	2,010,638	15,027,873
2028	2,919,942	58,322	2,978,264
<b>Totals</b>	<u>\$ 26,409,788</u>	<u>6,611,998</u>	<u>33,021,786</u>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**6. Compensated Absences**

The District has a policy for the accumulation of sick and personal leave payouts. This policy is subject to certain limits, which are established by the Board, and are based on the employee's length of service with the District.

The estimated liability for compensated absences for the Food Services Fund employees is recorded on that fund's financial statements; the estimated liability for all other employees is recorded in governmental activities in the Statement of Net Position. The General Fund generally liquidates the compensated absences liability associated with governmental activities.

**7. Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	<b>Balance July 1, 2016</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2017</b>	<b>Due in one Year</b>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 26,850,000	-	(1,760,000)	25,090,000	1,830,000
Premium on general obligation bonds	3,067,966	-	(493,421)	2,574,545	493,422
Capital leases	1,538,144	-	(218,356)	1,319,788	198,230
Net Pension Liability	26,574,063	25,185,474	-	51,759,537	-
Compensated absences	263,108	55,727	-	318,835	-
<b>Total</b>	<b>\$ 58,293,281</b>	<b>25,241,201</b>	<b>(2,471,777)</b>	<b>81,062,705</b>	<b>2,521,652</b>

**8. Defeased Debt**

At various dates in prior years, the District placed proceeds from refunding bond issues and District cash contributions in irrevocable refunding escrow accounts. These monies, which are invested in U.S. Treasury obligations, together with interest earned thereon, are considered sufficient for payment of all principal and interest on refunded bonds on each remaining payment date. The likelihood of the earnings and principal maturities of the U.S. Treasury obligations not being sufficient to pay the refunded bond issues appears remote. Accordingly, the escrow account and refunded bonds are not included in the District's financial statements. The District has not calculated the amount of defeased debt at June 30, 2017.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**9. Trust Agreement**

Colorado State Statutes require that all property taxes levied for the purpose of satisfying bonded indebtedness be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with UMB Corporate Trust Services in order to meet this requirement.

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

At June 30, 2017, the District reported a liability of \$51,759,537 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District proportion was 0.17384%, as compared to its proportion of 0.17375% measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$9,647,598. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expenses and actual experience	\$ 647,074	\$ 455
Changes of assumptions or other inputs	16,794,890	233,409
Net difference between projected and actual earnings on pension plan investments	1,730,731	-
Changes in proportionate share of contributions	8,763	333,746
Difference between actual and reported contributions recognized	2,685	-
Contributions subsequent to measurement date	747,211	
	\$ 19,931,354	\$ 567,610

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Contributions subsequent to the measurement date of December 31, 2016, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2018	\$ 7,321,193
2019	7,517,908
2020	3,760,167
2021	17,265
	<u>\$ 18,616,533</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90% - 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount rate	7.50%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**F. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	<b>1% Decrease -4.26%</b>	<b>Current Discount Rate (5.26%)</b>	<b>1% Increase (6.26%)</b>
Collective net pension liability	\$ 37,439,681,000	\$ 29,773,867,000	\$23,530,339,000
Proportionate share of net pension liability	\$ 65,085,954	\$ 51,759,537	\$ 40,905,652

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

**G. Fund Balances**

The District classifies governmental fund balances as follows:

*Non-spendable fund balance* includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balances:

*Restricted fund balance* includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed fund balance* includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education.

*Assigned fund balance* includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.

*Unassigned fund balance* includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**G. Fund Balances (continued)**

The District's policy is for restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District governmental funds had the following equity designations at June 30, 2017:

	<b>Balance</b>	<b>Reason</b>
Non-spendable:		
General Fund	\$ 73,973	Prepaid expenditures
Food Service Fund	6,673	Inventory
Restricted - General Fund	316,000	TABOR
Restricted - Debt Service Fund	2,431,436	Debt service
Committed - General Fund	150,000	Projects
Committed - Capital Reserve	198,608	Technology projects
Committed - Pupil Activity Fund	6,000	Equipment replacement
Assigned - General Fund	49,276	Insurance costs
Assigned - General Fund	20,407	Technology equipment
Assigned - Food Service	4,931	Food service
Assigned - Capital Reserve	489,225	Capital projects
Assigned - Other funds	84,851	Student activities
Assigned - Other funds	29,882	Transportation
	<b>\$ 3,861,262</b>	

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to Board.

**V. Other Information**

**A. Defined Benefit Pension Plan**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**V. Other Information (continued)**

**A. Defined Benefit Pension Plan (continued)**

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

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

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

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

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

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**V. Other Information (continued)**

**A. Defined Benefit Pension Plan (continued)**

*Benefits Provided (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 with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

<u>For the Year Ended December 31,</u>	<u>2016</u>	<u>2017</u>
Employer Contribution Rate	10.15%	10.15%
Amount of the Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED as presented in C.R.S. 24-51-411	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	18.63%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,450,110 for the year ended June 30, 2017.

**B. Post-Employment HealthCare Benefits**

*Plan Description.* The District contributes to the Health Care Trust Fund (the "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](http://www.copera.org/investments/pera-financial-reports).

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**V. Other Information (continued)**

**B. Post-Employment HealthCare Benefits (continued)**

*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 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, 2017, 2016, and 2014, the District's contributions to HCTF were approximately \$79,394, \$77,118, and \$89,891, respectively, equal to their required contributions for each year.

**C. Defined Contribution Pension Plan**

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

*Funding Policy.* Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2017, 2016 and 2015.

**D. Contingencies**

**1. General Legal Matters**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District feels none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2017.

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance on ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2017.

**3. State Programs**

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. Management does not feel that any potential adjustments would be material and that they would affect the fairness of presentation of the financial statements at June 30, 2017.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**V. Other Information (continued)**

**E. Jointly Governed Organization - BOCES**

The District, together with other school districts, participates in the Northwest Colorado Board of Cooperative Educational Services (the "BOCES"). The purpose of the BOCES is to pool resources of the individual districts and to provide services common to each on a basis that is more economical than if the same services were provided individually. Administrative costs are borne equally by the districts. Services by BOCES are charged to each district based upon individual needs and the student population.

The Board of the BOCES consists of one member of the Board of Education of each participating district. Each district has equal voting rights in the decisions of the BOCES.

The BOCES has issued its own audited financial statements for the year ended June 30, 2017, the latest available data.

The following summary information is presented:

Assets and Deferred Outflows	\$ 6,221,796
Liabilities and Deferred inflows	<u>(13,719,316)</u>
Net Position (Deficit)	<u><u>\$ (7,497,520)</u></u>
Expenses	\$ (6,352,780)
Program Revenues	4,362,460
General Revenues	<u>267</u>
Change in Net Position	<u><u>(1,990,053)</u></u>
Net Position-Beginning	<u>(5,507,467)</u>
Net Position-Ending	<u><u>\$ (7,497,520)</u></u>

For the years ended June 30, 2017 and 2016, the District made operating contributions of \$69,281 and \$68,898, respectively.

**F. Mill Levy Override Approval**

As previously discussed, in November 1994, the electorate of the District passed a ballot question, authorizing *to increase taxes \$650,000 annually for [the] current budget year and each budget year thereafter by authorizing the District to impose an additional property tax mill levy of not more than 5 mills for the District's General Fund for the current budget year and each budget year thereafter....*

In November 2001, the electorate approved *to increase taxes \$659,411 annually and by such additional amounts raised annually thereafter by an ad valorem property tax mill levy imposed at a rate of up to 1.746 mills, but not exceeding such amount of additional tax revenues as permitted pursuant to section 22-54-107.5 of the Colorado revised statutes, or any successor law thereto, to provide a supplemental cost of living adjustment to the District.*

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**V. Other Information (continued)**

**G. Colorado Department of Education Financing**

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district. The District did not utilize this financing in 2016 or 2017.

**H. Risk Management**

*Risk of Loss.* The District is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

*Pupil Counts.* Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

East Grand School District No. 2

Required Supplementary Information



**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017		Actual Amounts	Variance with Final Budget- Positive (Negative)	2016	
	Budgeted Amounts				Actual Amounts	Actual Amounts
	Original	Final				
<b>REVENUES</b>						
Taxes:						
Property taxes	8,223,484	8,076,837	7,999,703	(77,134)	8,097,943	
Specific ownership taxes	660,291	692,916	723,925	31,009	679,232	
Intergovernmental - State revenue	2,481,186	2,333,981	2,323,546	(10,435)	2,606,253	
Intergovernmental - Federal revenue	706,691	808,769	808,770	1	807,938	
Interest income	9,000	31,117	41,261	10,144	17,428	
Other	193,500	(75,608)	136,400	212,008	243,789	
Total revenues	12,274,152	11,868,012	12,033,605	165,593	12,452,583	
<b>EXPENDITURES</b>						
Direct instruction	7,046,648	7,218,918	7,058,641	160,277	6,899,282	
Indirect instruction	1,145,645	1,171,758	1,193,243	(21,485)	1,107,804	
Transportation	139,432	140,004	106,169	33,835	132,068	
Custodial and maintenance	1,496,513	1,482,625	1,493,899	(11,274)	1,417,912	
Support services	314,384	327,379	311,678	15,701	293,154	
General administration	1,462,970	1,441,546	1,447,108	(5,562)	1,429,033	
Contingency	-	3,080,469	-	3,080,469	-	
Total expenditures	11,605,592	14,862,699	11,610,738	3,251,961	11,279,253	
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	668,560	(2,994,687)	422,867	3,417,554	1,173,330	
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	(496,300)	(481,893)	(481,632)	261	(535,629)	
Total other financing sources (uses)	(496,300)	(481,893)	(481,632)	261	(535,629)	
<b>NET CHANGE IN FUND BALANCES</b>	172,260	(3,476,580)	(58,765)	3,417,815	637,701	
<b>FUNDS BALANCES, BEGINNING</b>	3,798,090	4,001,775	4,001,775	-	3,364,074	
<b>FUND BALANCES (DEFICIT), ENDING</b>	3,970,350	525,195	3,943,010	3,417,815	4,001,775	

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Net**  
**Assets - Budget and Actual (GAAP Basis)**  
**Food Service Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Food and ala carte sales	146,139	189,510	185,584	(3,926)	155,659
Federal revenue:					
Federal government meal reimbursement	126,111	150,000	147,014	(2,986)	149,956
USDA commodity contribution	20,000	20,000	19,328	(672)	15,737
State reimbursement	4,864	5,863	6,256	393	5,395
Total revenues	<u>297,114</u>	<u>365,373</u>	<u>358,182</u>	<u>(7,191)</u>	<u>326,747</u>
<b>EXPENDITURES</b>					
Salaries and employee benefits	205,596	197,150	194,673	2,477	196,583
Supplies	10,000	12,240	12,370	(130)	12,456
Food costs:					
Purchased food	114,500	150,955	142,596	8,359	135,159
Donated commodities	20,000	20,000	19,328	672	15,737
Other	3,500	11,555	4,589	6,966	2,919
Contingency	-	452	-	452	-
Total expenses	<u>353,596</u>	<u>392,352</u>	<u>373,556</u>	<u>18,796</u>	<u>362,854</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(56,482)	(26,979)	(15,374)	11,605	(36,107)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	50,000	15,000	15,000	-	40,000
Total other financing sources (uses)	<u>50,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>	<u>40,000</u>
<b>CHANGE IN NET POSITION</b>	(6,482)	(11,979)	(374)	11,605	3,893
<b>FUND BALANCE, BEGINNING</b>	<u>10,031</u>	<u>11,978</u>	<u>11,978</u>	<u>-</u>	<u>8,085</u>
<b>FUND BALANCE, ENDING</b>	<u><u>3,549</u></u>	<u><u>(1)</u></u>	<u><u>11,604</u></u>	<u><u>11,605</u></u>	<u><u>11,978</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Designated Purpose Grants Fund - Special Revenue**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenue:					
Federal revenue	227,031	259,314	241,790	(17,524)	262,210
State revenue	119,429	122,147	122,147	-	149,335
Local revenue	34,555	91,774	73,002	(18,772)	49,368
Total revenues	381,015	473,235	436,939	(36,296)	460,913
<b>EXPENDITURES</b>					
Direct instruction	169,240	173,413	161,627	11,786	184,587
Indirect instruction	211,775	260,322	236,157	24,165	262,139
Support services	-	39,500	37,247	2,253	11,341
Community service	-	-	1,908	(1,908)	2,846
Total expenditures	381,015	473,235	436,939	36,296	460,913
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-	-
<b>FUND BALANCES, ENDING</b>	-	-	-	-	-

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

**East Grand School District No. 2**  
**Schedule of Employer's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>District's portion of the net pension liability</b>	0.1738%	0.1738%	0.1768%	0.1831%
<b>District's proportionate share of the net pension liability</b>	51,759,537	26,574,063	23,967,042	23,353,686
<b>District's covered-employee payroll</b>	8,209,598	8,050,225	7,828,131	7,044,688
<b>District's proportionate share of the net pension liability as a percentage of its covered-employee payroll</b>	630%	330%	306%	332%
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	43.10%	59.20%	62.84%	64.07%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2014.

**East Grand School District No. 2**  
**Schedule of District Contributions**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Contractually required contribution</b>	1,414,566	1,312,236	1,217,152	1,146,290
<b>Contributions in relation to the contractually required contribution</b>	<u>(1,414,566)</u>	<u>(1,312,236)</u>	<u>(1,217,152)</u>	<u>(1,146,290)</u>
<b>Contribution deficiency (excess)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>District's covered-employee payroll</b>	8,209,598	8,050,225	7,828,131	7,044,688
<b>Contributions as a percentage of covered-employee payroll</b>	17.23%	16.30%	15.55%	16.27%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2014.

**East Grand School District No. 2**  
**Notes to the Required Supplementary Information**  
**June 30, 2017**

**I. Schedule of Employer's Proportionate Share of the Net Pension Liability**

**A. Changes to assumptions or other inputs**

**1. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:**

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

**2. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:**

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

**East Grand School District No. 2**  
**Notes to the Required Supplementary Information**  
**June 30, 2017**  
**(continued)**

**I. Schedule of Employer's Proportionate Share of the Net Pension Liability (continued)**

**B. Changes of benefit terms.**

No changes during the years presented above.

**C. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

**II. Notes to the Schedule of District Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented above.

**B. Changes of benefit terms.**

No changes during the years presented above.

**C. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

East Grand School District No. 2

Supplementary Information



**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Bond Redemption Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	2,882,644	2,912,898	2,864,527	(48,371)	2,980,937
Other revenue	2,000	2,000	(20,694)	(22,694)	6,468
Total revenues	<u>2,884,644</u>	<u>2,914,898</u>	<u>2,843,833</u>	<u>(71,065)</u>	<u>2,987,405</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	1,760,000	1,760,000	1,760,000	-	1,690,000
Interest	1,091,494	1,091,494	1,091,494	-	1,160,356
Fiscal charges	3,000	3,000	3,221	(221)	2,381
Contingency	-	2,502,722	-	2,502,722	-
Total expenditures	<u>2,854,494</u>	<u>5,357,216</u>	<u>2,854,715</u>	<u>2,502,501</u>	<u>2,852,737</u>
<b>NET CHANGE IN FUND BALANCES</b>	30,150	(2,442,318)	(10,882)	2,431,436	134,668
<b>FUND BALANCES, BEGINNING</b>	<u>2,465,326</u>	<u>2,442,318</u>	<u>2,442,318</u>	-	<u>2,307,650</u>
<b>FUND BALANCES, ENDING</b>	<u><u>2,495,476</u></u>	<u><u>-</u></u>	<u><u>2,431,436</u></u>	<u><u>2,431,436</u></u>	<u><u>2,442,318</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Capital Reserve Fund - Capital Projects**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Federal revenue	-	-	7,426	7,426	-
Other local revenue	159,875	99,392	90,924	(8,468)	221,291
Total revenues	159,875	99,392	98,350	(1,042)	221,291
<b>EXPENDITURES</b>					
Facilities improvements and repairs	159,875	279,588	294,318	(14,730)	781,395
Buses	-	60,000	56,998	3,002	-
Lease payments	280,583	280,584	280,584	-	270,304
Contingency	-	501,997	-	501,997	-
Total expenditures	440,458	1,122,169	631,900	490,269	1,051,699
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(280,583)	(1,022,777)	(533,550)	489,227	(830,408)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital lease	-	-	-	-	262,543
Transfers in (out)	120,111	120,111	120,111	-	171,164
Total other financing sources (uses)	120,111	120,111	120,111	-	433,707
<b>NET CHANGE IN FUND BALANCES</b>	(160,472)	(902,666)	(413,439)	489,227	(396,701)
<b>FUND BALANCES, BEGINNING</b>	1,076,690	1,101,272	1,101,272	-	1,497,973
<b>FUND BALANCES, ENDING</b>	916,218	198,606	687,833	489,227	1,101,272

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

**East Grand School District No. 2  
Combining Balance Sheet  
Non-major Governmental Funds  
For the Year Ended June 30, 2017**

	<u>Special Revenue</u>		<b>Total Non-major Governmental Funds</b>
	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents	100,294	5,553	105,847
Accounts, taxes, and interest receivable	-	24,329	24,329
Total assets	<u>100,294</u>	<u>29,882</u>	<u>130,176</u>
<b>LIABILITIES</b>			
Accounts payable	1,554	-	1,554
Accrued compensation	7,889	-	7,889
Total liabilities	<u>9,443</u>	<u>-</u>	<u>9,443</u>
<b>FUND BALANCES</b>			
Spendable:			
Committed	90,851	29,882	120,733
Total fund balances	<u>90,851</u>	<u>29,882</u>	<u>120,733</u>
Total liabilities and fund balances	<u>100,294</u>	<u>29,882</u>	<u>130,176</u>

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

**East Grand School District No. 2**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue</u>		<b>Total Non-major Governmental Funds</b>
	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	
<b>REVENUES</b>			
Taxes:			
Property taxes	-	252,766	252,766
Specific ownership taxes	-	16,263	16,263
Intergovernmental revenue:			
State revenue	-	95,154	95,154
Other revenue	84,411	13,197	97,608
	<u>84,411</u>	<u>13,197</u>	<u>97,608</u>
Total revenues	<u>84,411</u>	<u>377,380</u>	<u>461,791</u>
<b>EXPENDITURES</b>			
Direct instruction	26,738	-	26,738
Transportation	-	418,379	418,379
General administration	-	658	658
Student activities	414,862	-	414,862
Capital outlay	-	1,720	1,720
	<u>-</u>	<u>1,720</u>	<u>1,720</u>
Total expenditures	<u>441,600</u>	<u>420,757</u>	<u>862,357</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(357,189)</u>	<u>(43,377)</u>	<u>(400,566)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	346,521	-	346,521
	<u>346,521</u>	<u>-</u>	<u>346,521</u>
Total other financing sources (uses)	<u>346,521</u>	<u>-</u>	<u>346,521</u>
<b>NET CHANGE IN FUND BALANCES</b>	(10,668)	(43,377)	(54,045)
<b>FUND BALANCES, BEGINNING</b>	<u>101,519</u>	<u>73,259</u>	<u>174,778</u>
<b>FUND BALANCES, ENDING</b>	<u><u>90,851</u></u>	<u><u>29,882</u></u>	<u><u>120,733</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Pupil Activity Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Other revenue	70,691	80,450	84,411	3,961	71,712
Total revenues	70,691	80,450	84,411	3,961	71,712
<b>EXPENDITURES</b>					
Direct instruction	13,500	25,400	26,738	(1,338)	3,464
Student activities	402,317	413,907	414,862	(955)	415,392
Contingency	-	82,844	-	82,844	-
Total expenditures	415,817	522,151	441,600	80,551	418,856
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(345,126)	(441,701)	(357,189)	84,512	(347,144)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	326,189	346,782	346,521	(261)	324,465
Total other financing sources (uses)	326,189	346,782	346,521	(261)	324,465
<b>NET CHANGE IN FUND BALANCES</b>	(18,937)	(94,919)	(10,668)	84,251	(22,679)
<b>FUND BALANCES, BEGINNING</b>	120,704	101,519	101,519	-	124,198
<b>FUND BALANCES, ENDING</b>	101,767	6,600	90,851	84,251	101,519

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Transportation Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes:					
Property taxes	248,736	269,607	252,766	(16,841)	234,302
Specific ownership taxes	20,000	20,000	16,263	(3,737)	15,652
Intergovernmental revenue:					
State revenue	85,000	91,586	95,154	3,568	97,186
Other revenue	13,278	13,278	13,197	(81)	10,858
Total revenues	<u>367,014</u>	<u>394,471</u>	<u>377,380</u>	<u>(17,091)</u>	<u>357,998</u>
<b>EXPENDITURES</b>					
Transportation	398,969	395,078	418,379	(23,301)	338,456
General administration	800	800	658	142	586
Contingency	-	65,353	-	65,353	-
Capital outlay	6,500	6,500	1,720	4,780	1,930
Total expenditures	<u>406,269</u>	<u>467,731</u>	<u>420,757</u>	<u>46,974</u>	<u>340,972</u>
<b>NET CHANGE IN FUND BALANCES</b>	(39,255)	(73,260)	(43,377)	29,883	17,026
<b>FUND BALANCES, BEGINNING</b>	<u>40,019</u>	<u>73,260</u>	<u>73,259</u>	<u>(1)</u>	<u>56,233</u>
<b>FUND BALANCES (DEFICIT), ENDING</b>	<u>764</u>	<u>-</u>	<u>29,882</u>	<u>29,882</u>	<u>73,259</u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fiduciary**  
**Assets and Liabilities - Budget and Actual (GAAP Basis)**  
**Student Activity Agency Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Variance with Final Budget- Positive (Negative)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>ADDITIONS</b>					
Programs	302,000	313,000	306,391	(6,609)	303,398
Total additions	302,000	313,000	306,391	(6,609)	303,398
<b>DEDUCTIONS</b>					
Programs	302,000	512,849	313,688	199,161	337,991
Total deductions	302,000	512,849	313,688	199,161	337,991
<b>CHANGE IN FIDUCIARY ASSETS AND LIABILITIES</b>	-	(199,849)	(7,297)	192,552	(34,593)
<b>DUE TO STUDENT ACTIVITIES, BEGINNING</b>	219,720	194,884	199,850	4,966	234,443
<b>DUE TO STUDENT ACTIVITIES, ENDING</b>	219,720	(4,965)	192,553	197,518	199,850

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Schedule of Combined General Fund**  
**For the Year Ended June 30, 2017**

<b>REVENUES</b>	<b>District General Fund</b>	<b>Insurance Reserve Fund</b>	<b>Total</b>
Property taxes	7,999,703	-	7,999,703
Specific ownership taxes	723,925	-	723,925
Intergovernmental - State revenue	2,323,546	-	2,323,546
Intergovernmental - Federal revenue	911,224	-	911,224
Interest income	41,261	-	41,261
Other	33,946	-	33,946
Total revenues	<u>12,033,605</u>	<u>-</u>	<u>12,033,605</u>
<b>EXPENDITURES</b>			
Direct instruction	7,058,641	-	7,058,641
Indirect instruction	1,193,243	-	1,193,243
Transportation	87,175	18,994	106,169
Custodial and maintenance	1,443,580	50,319	1,493,899
Support services	150,193	161,485	311,678
General administration	1,447,108	-	1,447,108
Total expenditures	<u>11,379,940</u>	<u>230,798</u>	<u>11,610,738</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>653,665</u>	<u>(230,798)</u>	<u>422,867</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(711,632)</u>	<u>230,000</u>	<u>(481,632)</u>
Total other financing sources (uses)	<u>(711,632)</u>	<u>230,000</u>	<u>(481,632)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(57,967)	(798)	(58,765)
<b>FUNDS BALANCES, BEGINNING</b>	<u>3,951,698</u>	<u>50,074</u>	<u>4,001,775</u>
<b>FUND BALANCES, ENDING</b>	<u><u>3,893,731</u></u>	<u><u>49,276</u></u>	<u><u>3,943,010</u></u>

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

**East Grand School District No. 2**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule**  
**June 30, 2017 and 2016**

	<b>2017</b>	<b>2016</b>
<b>Governmental funds capital assets:</b>		
Land	524,414	524,414
Buildings and improvements	56,647,039	56,639,839
Equipment	1,172,182	901,834
Vehicles	1,879,967	1,933,907
Construction in progress	173,940	172,083
Total governmental funds capital assets	60,397,542	60,172,077

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



Colorado Department of Education

Auditors Integrity Report

District: 1350 - EAST GRAND 2

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

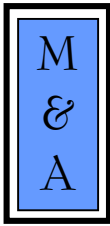
Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,951,698	11,321,973	11,379,939	3,893,732
18 Risk Mgmt Sub-Fund of General Fund	50,074	230,000	230,798	49,276
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>4,001,773</b>	<b>11,551,973</b>	<b>11,610,738</b>	<b>3,943,009</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	11,979	373,182	373,557	11,605
22 Govt Designated-Purpose Grants Fund	0	436,939	436,939	0
23 Pupil Activity Special Revenue Fund	101,519	430,932	441,600	90,851
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	73,260	377,380	420,757	29,883
31 Bond Redemption Fund	2,442,317	2,843,833	2,854,715	2,431,435
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	1,101,273	218,461	631,900	687,834
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>7,732,122</b>	<b>16,232,701</b>	<b>16,770,205</b>	<b>7,194,617</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	199,849	306,391	313,687	192,553
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>199,849</b>	<b>306,391</b>	<b>313,687</b>	<b>192,553</b>

FINAL

East Grand School District No. 2

Reports and Schedules for Reporting Requirements  
of Uniform Guidance





# MCMAHAN AND ASSOCIATES, L.L.C.

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS

### Independent Auditor's Report

**To the Board of Education  
East Grand School District No. 2  
Granby, Colorado**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2 (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 19, 2017.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit on the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

*Member: American Institute of Certified Public Accountants*

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**Compliance and Other Matters**

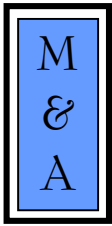
As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
December 19, 2017**



# MCMAHAN AND ASSOCIATES, L.L.C.

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## REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### Independent Auditor's Report

To the Board of Education  
East Grand School District No. 2  
Granby, Colorado

#### **Report on Compliance for Each Major Program**

We have audited the East Grand School District No. 2's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"), and the Guide. Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance with those requirements.

#### **Opinion on Each Major Federal Program**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

*Member: American Institute of Certified Public Accountants*

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***Report on Internal Control Over Compliance***

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance and the Guide. Accordingly, this report is not suitable for any other purpose.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**December 19, 2017**

**East Grand School District No. 2, Colorado**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

**Part I: Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Noncompliance material to financial statements noted	None noted

*Federal Awards*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted
Major program – Schools & Roads – Grants to Counties	CFDA #10.666
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	Yes

**Part II: Findings Related to Financial Statements**

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

**Part III: Findings Related to Federal Awards**

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

**East Grand School District No. 2**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**  
**(Continued)**

**Note:** There were no findings for the fiscal year ended June 30, 2016.

**East Grand School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Project Code</u>	<u>Expenditures</u>
<b>United States Department of Education</b>			
Rural Education	84.358	4358	\$ 37,661
<b>Passed through Colorado Department of Education:</b>			
Title I	84.010	4010	154,121
Title II Part A Training	84.367	4367	33,505
<b>Total United States Department of Education</b>			<u>225,287</u>
<b>United States Department of Agriculture:</b>			
<b>Passed through Colorado Department of Education:</b>			
School Breakfast Program	10.553	4553	46,735 A
National School Lunch Program	10.555	4555	100,280 A
Child Nutrition Discretionary Grants Limited Availability	10.579	5579	7,426
<b>Passed through Colorado Department of Human Services:</b>			
Food Distribution Commodities	10.555	4555	7,951 A
<b>Passed through Grand County:</b>			
School & Roads - Grants to Counties	10.666	4666	808,770
<b>Total United States Department of Agriculture</b>			<u>971,162</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,196,449</u>
<b><u>Additional Information for Clusters:</u></b>			
A - Child Nutrition Cluster			\$ 154,966

**Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2017**

**Note 1. Basis of Presentation:**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of East Grand School District, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2, US Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

**Note 2. Determining the Value of Non-Cash Awards Expended:**

Food Commodities: Valued at the assessed value provided by the federal agency at the time of receipt by the federal agency.

**Note 3. Sub recipients:**

East Grand School District did not provide any federal awards received to sub recipients.

**Note 4. Indirect Facilities and Administration costs:**

The District does not opt to use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F & A) costs.