

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado

Financial Statements
For The Year Ended June 30, 2017



RECEIVED

By the Office of the State Auditor at 4:05 pm, Oct 19, 2017

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Table of Contents
 June 30, 2017

	<u>Page</u>
Independent Auditor's Report	
Management Discussion and Analysis -----	a-k
 <u>Basic Financial Statements</u>	
Government-wide Financial Statements	
Statement of Net Position -----	1
Statement of Activities -----	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet -----	3
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position -----	4
Statement of Revenues, Expenditures and Changes in Fund Balances -----	5-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	6
Fiduciary Funds	
Statement of Fiduciary Net Position -----	7
Notes to the Financial Statements -----	8-21
 <u>Required Supplementary Information</u>	
Budgetary Comparison Schedule - General Fund -----	22
Schedule of District's Proportionate Share of Net Pension Liability -----	23
Schedule of Contributions and Related Ratios -----	24
 <u>Other Information</u>	
Combining and Individual Fund Financial Statements	
All Nonmajor Governmental Funds	
Combining Balance Sheet -----	25
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -----	26

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Table of Contents
 June 30, 2017
 (continued)

	<u>Page</u>
General Fund	
Comparative Balance Sheet -----	27
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -----	28
Statement of Expenditures - Budget and Actual -----	29-31
Special Revenue Funds	
Food Services Fund	
Comparative Balance Sheet -----	32
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual -----	33
Student Activity Fund	
Comparative Balance Sheet -----	34
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -----	35
Capital Projects Fund	
Capital Reserve Fund	
Comparative Balance Sheet -----	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual -----	37
Student Activity Agency Fund	
Statement of Changes in Assets and Liabilities -----	38-39
Auditor's Integrity Report	

WINFREY, COUNTY & HAYS, PC

Certified Public Accountants

577 14th Street
Burlington, Colorado 80807
Telephone 719-346-7216
Fax 719-346-8499

Gerald D County, CPA
Jennifer M. Hays, CPA

Kristina L. Lowe, CPA
Sarah M. Bailey, CPA

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of and for the year ended June 30, 2017, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information and pension information on pages a-k and 22-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the management discussion & analysis we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Elbert County School District C-2's basic financial statements. The combining and individual nonmajor fund financial statements and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Wingray County's Hayes, PC

October 19, 2017

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

This discussion and analysis provides an overview of the Elbert County School District C-2 financial performance for the fiscal year ending June 30, 2017. The focus of the information is on the primary government general fund.

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

Financial Highlights

- For the current year ended June 30, 2017, the net position of the District is \$(1,390,049), a decrease of \$1,203,996. Please note that the net position also includes PERA's unfunded liabilities over which the District has no control.
- As of the close of the 2016-17 fiscal year, the District's governmental funds reported combined ending fund balances of \$2,166,266. This represents an increase of \$161,554 from the previous year.
- The District had adequate funds available for all appropriations.

Overview of Financial Statements

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

1. Government-Wide Financial Statements

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

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

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

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

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

2. Fund Financial Statements

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

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

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

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

Financial Analysis of the District as a Whole

The District's total net position was negative \$1,390,049 at the close of business on June 30, 2017. Table 1 represents a detailed view of FY 16-17. Chart 1 shows a high level overview of net asset changes over time.

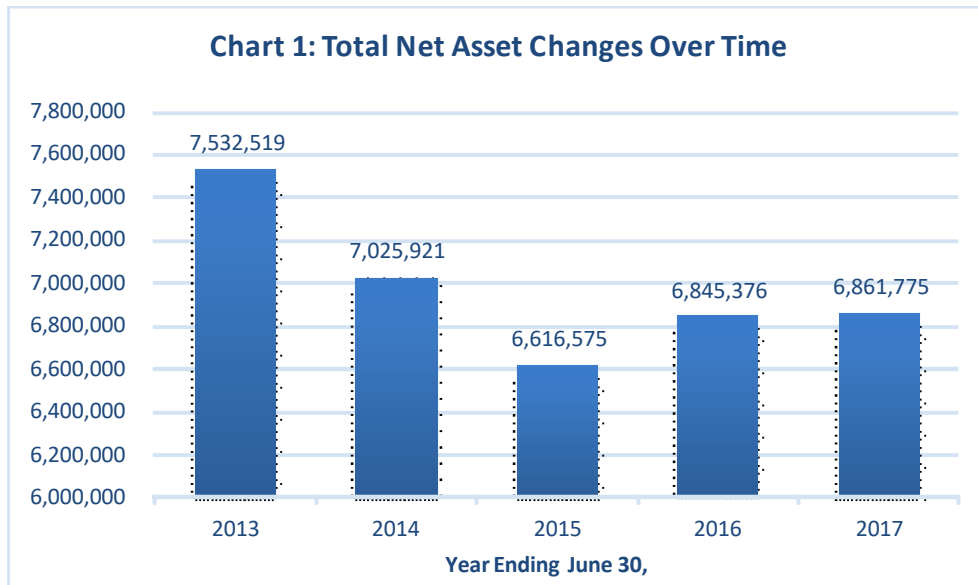
Table 1
Fiscal Year Ended June 30, 2017
Net Position

	Government Activities	
	<u>6/30/2017</u>	<u>6/30/2016</u>
Current and other assets	2,460,063	2,305,037
Capital assets	<u>4,401,712</u>	<u>4,540,339</u>
Total assets	6,861,775	6,845,376
 Deferred Outflows	 3,753,064	 691,374
 Current liabilities	 293,797	 300,324
Long term liabilities	<u>11,002,179</u>	<u>6,906,872</u>
Total liabilities	11,295,975	7,207,196
 Deferred Inflows	 708,912	 515,607
 Net Position		
Invested in capital assets	3,151,712	3,290,339
Restricted	95,928	109,766
Unrestricted	<u>(4,637,688)</u>	<u>(3,586,158)</u>
Total Net Position	<u>(1,390,049)</u>	<u>(186,053)</u>

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

Comparison of Net Position Over Time

As noted earlier, net position serves as a useful indicator of the District's financial position over time. In the case of the Kiowa School District, liabilities exceeded assets by \$1,390,049.



Of the District's \$6,861,775 in total assets, \$4,401,712 reflects investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net position of \$(4,637,688) may be used to meet the District's ongoing financial obligations. Depreciation in capital assets and a QZAB loan contribute to the decrease in net position for the 2016-17 year.

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

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

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

Table 2
Fiscal Year Ended June 30, 2017
Change in Net Position

	Government Activities	
REVENUES	<u>6/30/2017</u>	<u>6/30/2016</u>
Program Revenues		
Charges for service	97,742	93,565
Operating grants	172,121	227,800
Capital grants	0	0
General Revenues		
Property taxes	610,438	574,047
Specific ownership taxes	106,291	97,000
State Equalization	2,281,995	2,400,762
Other	35,844	45,406
Gain (Loss) on assets	<u>0</u>	<u>(1,858)</u>
Total Revenues	3,304,430	3,436,722
EXPENSES		
Instruction	2,550,659	1,772,794
Pupil services	113,486	80,513
Instructional services	54,032	40,239
General administration	190,468	125,855
School administration	483,925	308,424
Business	161,255	117,047
Operations & maintenance	485,967	397,793
Pupil transportation	121,020	108,907
Central services	102,370	114,123
Extracurricular activities	62,417	63,726
Interest & fiscal charges	3,605	3,710
Food Services	<u>179,222</u>	<u>140,350</u>
Total Expenses	<u>4,508,426</u>	<u>3,273,480</u>
Increase (decrease) in net position	<u>(1,203,996)</u>	<u>163,242</u>

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

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

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

Table 3
Fiscal Year Ended June 30, 2017
Government Activities

Functions/Programs	<u>Year Ended June 30, 2017</u>		<u>Year Ended June 30, 2016</u>	
	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>
Instruction	2,550,659	2,449,626	1,772,794	1,594,852
Pupil services	113,486	113,486	80,513	80,513
Instructional services	54,032	54,032	40,239	40,239
General administration	190,468	190,468	125,855	125,855
School administration	483,925	483,925	308,424	308,424
Business	161,255	161,255	117,047	117,047
Operations & maintenance	485,967	485,967	397,793	397,793
Pupil transportation	121,020	89,272	108,907	96,126
Central services	102,370	102,370	114,123	114,123
Extracurricular activities	62,417	14,178	63,726	18,128
Food Service	179,222	90,380	140,350	55,305
Interest & fiscal charges	<u>3,605</u>	<u>3,605</u>	<u>3,710</u>	<u>3,710</u>
Total Expenses	<u>4,508,426</u>	4,238,564	<u>3,273,480</u>	2,952,115
Less State Equalization		<u>2,281,995</u>		<u>2,400,762</u>
Total needs from local taxes and other revenue		<u>1,956,569</u>		<u>551,353</u>

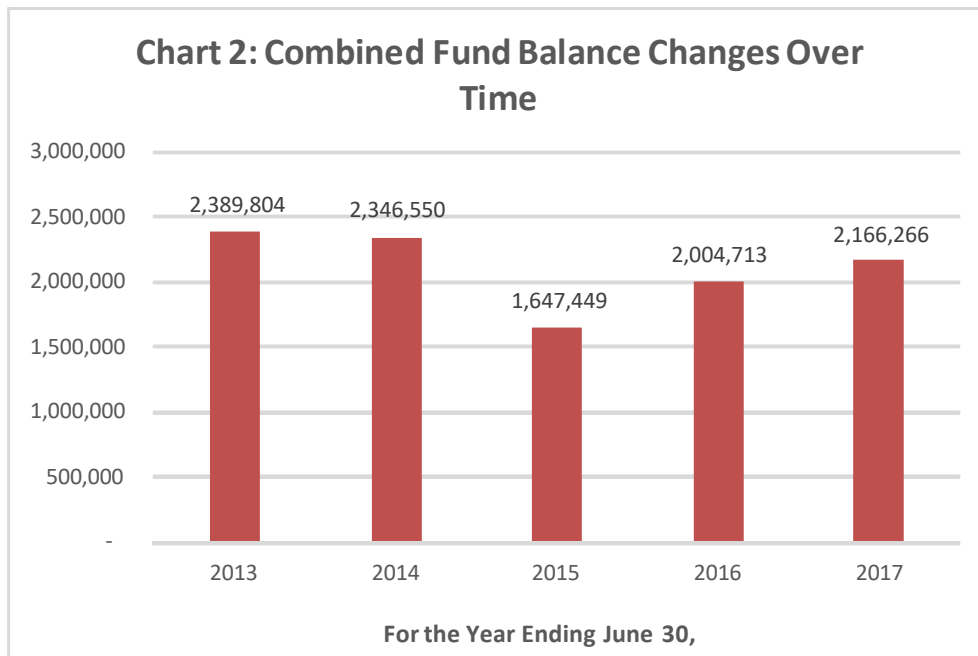
Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

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

The District Funds

On June 30, 2017, the District governmental funds reported a combined fund balance of \$2,166,266 which is an increase of \$161,553.

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



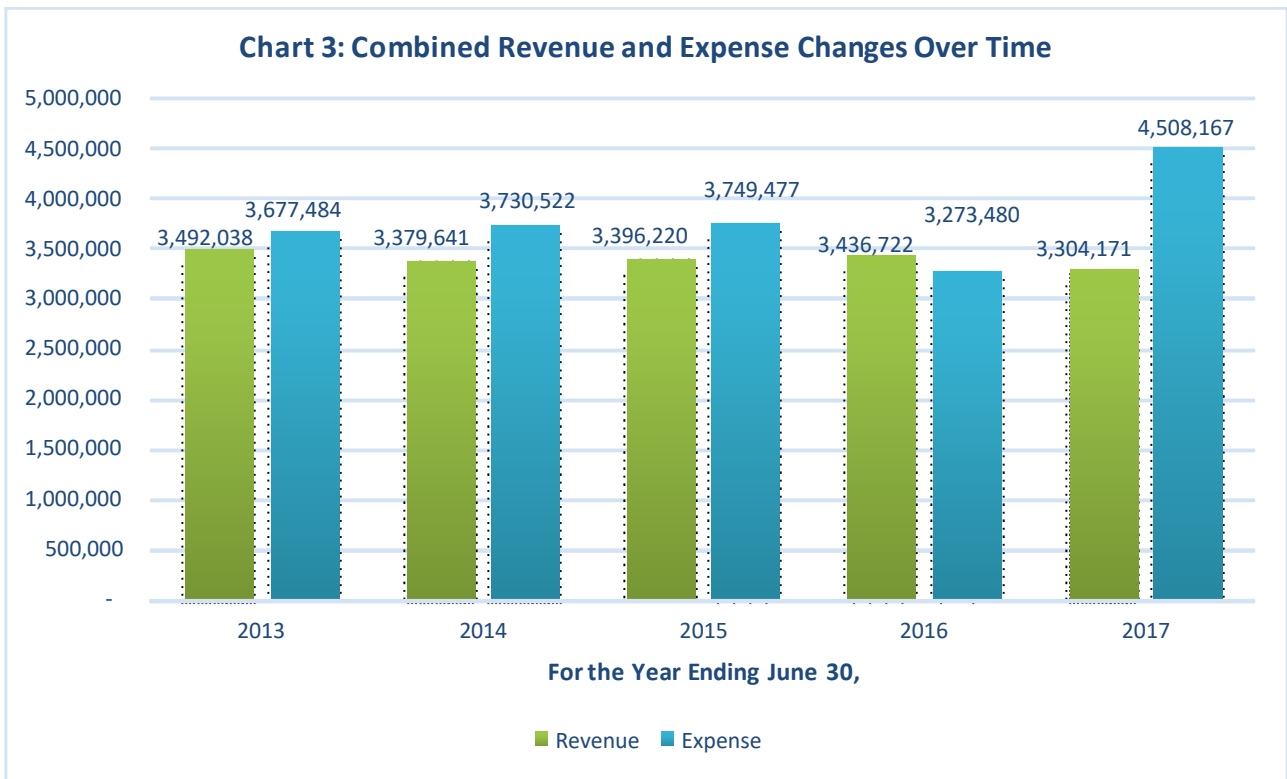
Elbert County School District C-2
 Management Discussion and Analysis
 For Fiscal Year Ended June 30, 2017

Financial Analysis of the District's Funds

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

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

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

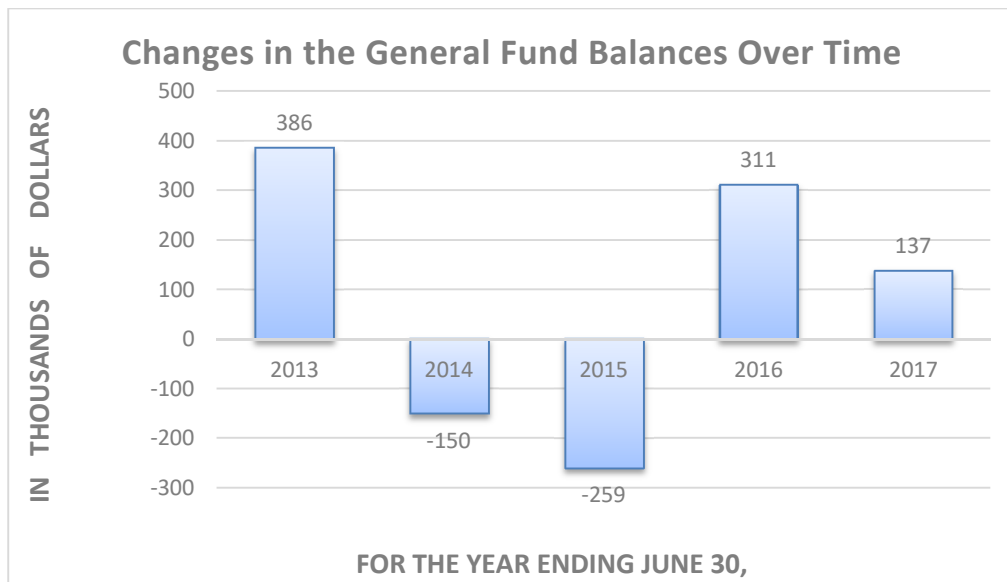


Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

General Fund Budget

The Board of Education approved a regular budget in FY 17 to adequately appropriate expected expenditures based on careful review of anticipated revenues. Using historical spending patterns as a guide, the budget was crafted with a perceived flat to positive cash flow. The Board anticipates that cuts previously endured by State funding levels will not be replaced. Further, the Board of Education, with independent auditor approval, can allow the General Fund to go down a balance of \$825,000, but only if necessary.

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



Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

Capital Assets and Debt Administration

Capital Assets

On June 30, 2017, the District realized a decrease of \$138,627 in capital assets. The decrease is a result depreciation expense exceeding purchases. The District's capital assets are currently valued at \$4,401,712 (see page 13 of the audit) compared to last year when the capital assets were \$4,540,339.

	<u>June 30, 2017</u>	<u>June 30, 2017</u>
Site & Improvements	1,023,387	1,023,386
Building & Improvements	6,008,040	6,008,041
Equipment	548,794	542,860
Transportation	<u>286,945</u>	<u>230,945</u>
Total Capital Assets	7,867,166	7,805,232
Accumulated Depreciation	<u>(3,465,454)</u>	<u>(3,264,893)</u>
Net Capital Assets	<u><u>4,401,712</u></u>	<u><u>4,540,339</u></u>

The major capital acquisitions were a three-door freezer for \$5,933 and a 2015 Ford Bus for \$56,000. It's important to note that a grant for the full amount of the three-door freezer was obtained from the United States Department of Agriculture.

The District entered into a site lease/leaseback which was financed with QZAB funds in the amount of \$1,250,000. It is scheduled to be repaid at \$70,000 per year plus interest through October 10, 2030. While the interest is a little over \$52,000 per year, the QZAB loan has provisions in which the Federal Government pays over \$48,000 of the interest for the District each year

More complete information is furnished on page 14.

Elbert County School District C-2
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2017

Economic Factors and Next Year's Budget and Rates

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

- the continuing shortage of federal funds to support educational programs including special education mandated in Federal Law and the general uncertainty of Federal funding for public schools in the Trump administration
- generally declining enrollment
- the pervasiveness of the State's negative factor (now called Budget Stabilization by some) for funding schools. Kiowa's negative factor reduces the available funds that exceed \$400,000 EVERY year.

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

History of Staffing Level Changes

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

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

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

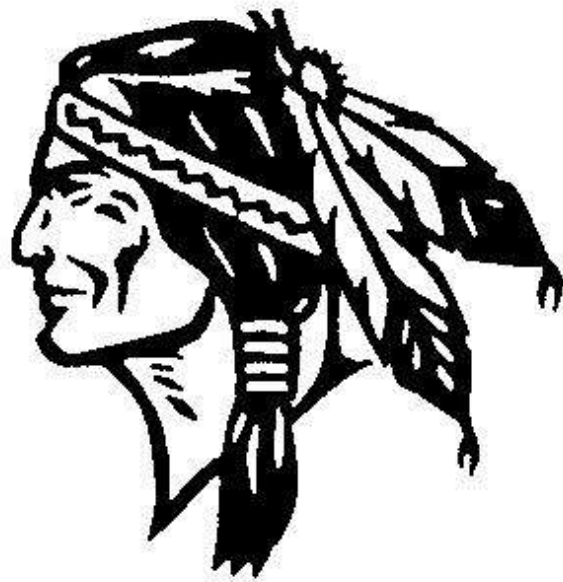
For the 2015-16 year, five positions were reduced: 3 elementary teachers, an IT support position and a vocational arts position.

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

For the 2017-18 year, Kiowa increased the staff by two to meet the needs of special education students.

Contacting the District for Financial Management Questions

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



BASIC FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Net Position
 June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets	
Cash and cash equivalents	2,438,309
Accounts/grants receivable	14,731
Inventory	<u>7,023</u>
Total Current Assets	2,460,063
Capital assets, net of accumulated depreciation	<u>4,401,712</u>
Total Assets	6,861,775
DEFERRED OUTFLOWS	3,753,064
LIABILITIES	
Current Liabilities	
Accounts payable	13,870
Accrued sick leave payable	47,216
Accrued salaries payable	231,336
Unearned revenue	<u>1,374</u>
Total Current Liabilities	293,797
Noncurrent Liabilities	
Due in more than one year	1,250,000
Net Pension Liability	<u>9,752,179</u>
Total Noncurrent liabilities	<u>11,002,179</u>
Total Liabilities	11,295,975
DEFERRED INFLOWS	708,912
NET POSITION	
Invested in capital assets	3,151,712
Restricted for TABOR Reserve	95,928
Unrestricted	<u>(4,637,688)</u>
Total Net Position	<u>(1,390,049)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Activities
 For the Year Ended June 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Service</u>	<u>Operating Grants & Contributions</u>	<u>Capital Grants & Contributions</u>
Governmental Activities				
Instructional	2,550,659	9,740	91,293	
Support Services				
Pupil services	113,486			
Instructional services	54,032			
General administration	190,468			
School administration	483,925			
Business	161,255			
Operations & maintenance	485,967			
Pupil transportation	121,020		31,748	
Support services	102,370			
Extracurricular Activities	62,417	48,239		
Food Services	179,222	39,763	49,080	
Interest & fiscal charges	<u>3,605</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>4,508,426</u>	<u>97,742</u>	<u>172,121</u>	<u>0</u>

General revenues:

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

State Equalization

Miscellaneous

Investment earnings

Gain (Loss) on assets

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

Net (Expense) Revenue and
Changes in Net Position

Governmental
Activities

(2,449,626)

(113,486)

(54,032)

(190,468)

(483,925)

(161,255)

(485,967)

(89,272)

(102,370)

(14,178)

(90,380)

(3,605)

(4,238,564)

610,438

106,291

2,281,995

20,625

15,219

0

3,034,568

(1,203,996)

(186,053)

(1,390,049)

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Balance Sheet
 Governmental Funds
 June 30, 2017

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	2,271,762	166,547	2,438,309
Accounts/Grants receivable	14,650	81	14,731
Inventory	<u>0</u>	<u>7,023</u>	<u>7,023</u>
Total Assets	<u>2,286,412</u>	<u>173,651</u>	<u>2,460,063</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	13,870	0	13,870
Accrued sick leave payable	43,196	4,020	47,216
Accrued salaries payable	<u>222,086</u>	<u>9,250</u>	<u>231,336</u>
Total Liabilities	279,153	13,270	292,422
Unearned Revenue	0	1,374	1,374
Fund Balances			
Restricted for TABOR Reserve	95,928	0	95,928
Committed for Capital Projects	0	123,737	123,737
Nonspendable	0	7,023	7,023
Assigned	0	28,247	28,247
Unassigned	<u>1,911,332</u>	<u>0</u>	<u>1,911,332</u>
Total Fund Balances	<u>2,007,260</u>	<u>159,007</u>	<u>2,166,266</u>
Total Liabilities and Fund Balances	<u>2,286,412</u>	<u>173,651</u>	<u>2,460,063</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Balance Sheet
Governmental Funds
For the Year Ended June 30, 2017
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

Total Governmental Fund Balances	2,166,266
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,401,712
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	3,753,064
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,002,179)
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	<u>(708,912)</u>
Net Position of Governmental Activities	<u>(1,390,049)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Local Sources			
Property Taxes	610,438	0	610,438
Specific Ownership Taxes	106,291	0	106,291
Charges for Service	0	39,763	39,763
Investment Interest	15,037	6,115	21,152
Other	23,423	48,239	71,662
State Sources			
Equalization	2,281,995	0	2,281,995
Transportation	31,748	0	31,748
Other	45,484	1,597	47,081
Federal Sources	<u>46,818</u>	<u>47,482</u>	<u>94,300</u>
Total Revenues	3,161,235	143,196	3,304,430
EXPENDITURES			
Current			
Instruction	1,594,265	0	1,594,265
Supporting Services			
Students	79,587	0	79,587
Instructional staff services	40,141	0	40,141
General administration	128,079	0	128,079
School administration	305,036	0	305,036
Business	111,110	0	111,110
Operations & maintenance	374,234	0	374,234
Pupil Transportation	87,999	0	87,999
Support services	100,966	0	100,966
Other	0	69,442	69,442
Food Service	0	134,811	134,811
Debt Service	3,605	0	3,605
Capital Outlay	<u>10,103</u>	<u>103,499</u>	<u>113,602</u>
Total Expenditures	<u>2,835,126</u>	<u>307,751</u>	<u>3,142,877</u>
Revenues over (under) Expenditures	326,109	(164,555)	161,554
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(189,000)</u>	<u>189,000</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	137,109	24,445	161,554
Fund Balance - Beginning	<u>1,870,151</u>	<u>134,562</u>	<u>2,004,713</u>
Fund Balance - Ending	<u>2,007,260</u>	<u>159,007</u>	<u>2,166,266</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2017
 (continued)

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

Net change in fund balances - total governmental funds		161,554
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Capital outlays	61,933	
Depreciation expense	<u>(200,560)</u>	(138,627)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expenses		(1,226,922)
Change in net position of government activities		<u>(1,203,996)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Statement of Fiduciary Net Position
Student Activity Agency Fund
June 30, 2017

	Student Activity Fund
ASSETS	
Cash in bank	47,166
NET POSITION	
Held in trust for activities	<u>47,166</u>
NET POSITION	<u>0</u>

Notes to Financial Statements

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

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

B. Basis of Presentation

Government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the school district. As a general rule, the effect of interfund activity has been eliminated from these statements.

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

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

The District reports the following major governmental fund:

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

C. Measurement Focus and Basis of Accounting

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

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible with the current period or soon enough thereafter to pay liabilities of the current period. The government considers all revenues available if they are collected within 60 days after year end. Revenues from federal, state, and other grants designated for payment of specific school district expenditures are recognized when the related expenditures are incurred; accordingly, when such funds are received, they are recorded as deferred revenues until earned. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

D. Budgets and Budgetary Accounting

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

Budget Calendar -

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

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

January 31 is last date to change adopted budget.

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

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

E. Encumbrances

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

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

F. Assets, Liabilities and Fund Balances/Net Position

1. Deposits

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

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

2. Receivables and Payables

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

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

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

3. Inventories

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

A physical inventory was taken as of June 30, 2017 for the Food Services Special Revenue Fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

Capital asset, which include property, plant, and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the school district as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated fixed assets are recorded at their estimated fair value at the date of donation.

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

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

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

The District does not have any infrastructure assets.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

5. Compensated Absences

Certified employees are allowed 10 sick days per year, accumulative to infinity. Non-certified employees are allowed 1 day each month for the number of months they work each year, i.e. cooks 9 days per year, custodians and business manager 12 days per year, accumulative to infinity. Reimbursements on accumulated sick leave of full-time employees are allowed up to 30 days at the rate of one-half the substitute teacher pay at the time of their termination of employment. As of June 30, 2017, the accrued sick leave payable was \$47,216.

6. Long-term Obligations

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

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

7. Estimates

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

8. Fund Balance and Net Position

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

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

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

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

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

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

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

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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

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

At June 30, 2017 the amounts restricted is \$95,928 for the TABOR Reserve. Committed amount was \$123,73 for capital projects.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment's language in order to determine its compliance.
- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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

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

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

At June 30, 2017, the District's cash deposits had a bank balance and carrying balance as follows:

	Carrying Balance	Bank Balance
Insured (FDIC)	481,468	484,757
In Colo Trust	2,004,007	
Uninsured: Collateral Held by District's Agent in Agent's Name	-	31,470
Total Deposits	2,485,475	516,227
Amount in Agency Fund	<u>(47,165.54)</u>	
Cash in Other Funds	2,438,309	

As presented above, deposits with a bank balance of \$31,470 and a carrying balance of \$0 as of June 30, 2017, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

Investments

The district has deposits in COLOTRUST accounts, in the amount \$2,004,007, which are invested in overnight investment accounts and are rated AAAM by Standard & Poor's.

Investments are subject to many different types of risk, including credit risk, custodial credit risk, concentration of credit risk, interest rate risk and foreign currency risk. The district's COLOTRUST account is highly rated by Standard & Poor's, an indication of low credit risk. The district has no foreign currency risk.

Interest rate risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Overall credit risk is the chance that an issuer of an investment will not fulfill its obligations. To minimize overall credit risk, state law requires that the district limit its investments to issuers which have received one of the three highest rating categories by one or more nationally recognized organizations that rate such issuers.

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the District's investments are subject to custodial risk.

Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

The District's only investments with recurring measurements are its investments at COLOTRUST in the amount of \$2,004,007. These investments were valued using Level 2 inputs.

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to the Financial Statements
June 30, 2017
(continued)

C. Changes in General Fixed Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Governmental Activities				
Sites & Improvements	1,023,387	-	-	1,023,387
Buildings & Improvements	6,008,040	-	-	6,008,040
Equipment	542,861	5,933	-	548,794
Transportation	<u>230,945</u>	<u>56,000</u>	-	<u>286,945</u>
Total	7,805,233	61,933	-	7,867,166
Less Accumulated Depreciation				
Sites & Improvements	397,250	15,436	-	412,686
Buildings & Improvements	2,429,604	128,698	-	2,558,302
Equipment	320,537	35,051	-	355,588
Transportation	<u>117,503</u>	<u>21,375</u>	-	<u>138,878</u>
Total	3,264,894	200,560	-	3,465,454
Government Activities				
Capital Assets, Net	<u>4,540,339</u>	<u>(138,627)</u>	<u>-</u>	<u>4,401,712</u>

Depreciation expense for the governmental activities was allocated \$174,857 to instruction, \$21,375 to transportation, and \$4,328 to food services.

C. Changes in Long-Term Debt –

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

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

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

Debt service requirement to maturity:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	70,000	52,625	122,625
2019	70,000	52,625	122,625
2020	70,000	52,625	122,625
2021	70,000	52,625	122,625
2022-2026	350,000	263,125	613,125
2027-2030	<u>340,000</u>	<u>236,813</u>	<u>576,813</u>
	970,000	710,438	1,680,438
Held in Escrow	<u>280,000</u>		
	<u>1,250,000</u>		

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to the Financial Statements
 June 30, 2017
 (continued)

(4) OTHER INFORMATION

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

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

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. Operating Transfers In (Out) - The General Fund transferred \$15,000 to the Student Activity Special Revenue Fund, \$69,000 to the Food Services Fund, and \$105,000 to the Capital Projects Fund for operating expenses.
- D. Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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

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

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

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

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:

	<u>For the Year Ending</u>	
	<u>December 31</u>	
	<u>2016</u>	<u>2017</u>
Employer Contribution Rate ¹	10.15%	10.15%
Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) ¹	-1.02%	-1.02%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	<u>4.50%</u>	<u>5.00%</u>
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	19.65%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$271,517 for the year ended June 30, 2017.

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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 \$9,752,179 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 0.0327541553 percent, which was a decrease of 0.0042326556 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,226,922. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	121,917	86
Changes of assumptions or other inputs	3,164,379	43,977
Net difference between projected and actual earnings on pension plan investments	326,093	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	664,849
Contributions subsequent to the measurement date	<u>140,676</u>	<u>N/A</u>
Total	3,753,064	708,912

There is \$140,676 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date that is recognized as a reduction of the net pension liability for 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:

Fiscal Year Ended June 30,	
2018	(340,174)
2019	(244,364)
2020	(80,312)
2021	-
2022	-
Thereafter	-

Actuarial assumptions. The table below includes the actuarial assumptions and other inputs utilized in the December 31, 2015 actuarial valuation and the revised assumptions utilized in the roll forward of the total pension liability from December 31, 2015 to December 31, 2016:

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

	<u>12/31/2015</u>	<u>12/31/2016</u>
	<u>Actuarial Valuation</u>	<u>Roll Forward</u>
Actuarial cost method	Entry Age	Entry Age
Price inflation	2.80 percent	2.40 percent
Real wage growth	1.10 percent	1.10 percent
Wage inflation	3.90 percent	3.50 percent
Salary increases, including wage inflation	3.90-10.10 percent	3.50-9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent	7.25 percent
Discount rate	7.50 percent	5.26 percent
Post-retirement benefit increases:		
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.0 percent	2.0 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)	

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 rate and a 55 percent factor applied to female rates.

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2
Kiowa, Colorado
Notes to Financial Statements
June 30, 2017
(continued)

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 of 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 expenses and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	<u>Target</u> <u>Allocation</u>	<u>30 Year Expected</u> <u>Geometric Real Rate</u> <u>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 Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
Total	100.00%	

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2017
 (continued)

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 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.
- Employee contributions were assumed to be made at the rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per 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 the AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 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 GASB Statement No. 67 projecting 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 investment 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.

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Notes to Financial Statements
 June 30, 2017
 (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:

	1% Decrease	Current Discount	1% Increase
Proportionate share of the net pension liability	<u>(4.26%)</u> 12,263,051	<u>Rate (5.26%)</u> 9,752,179	<u>(6.26%)</u> 7,707,164

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.

E. Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member C-2 contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Elbert County School District contributions to the HCTF were \$15,063, \$15,210 and \$17,269, respectively, equal to their required contributions for each year.

F. Joint Venture - The District participates in the East Central Board of Cooperative Educational Services which is not reflected in these financial statements. One member of the board is from the District. The Board has final authority for all budgeting and financing of the joint venture.

Each member pays a \$2,500 membership fee and then contributes additional monies in the relationship their student enrollment is to the total enrollment of all the members.

At June 30, 2016, total assets were \$2,617,821, deferred outflows were \$1,070,149, total liabilities were \$9,079,354, deferred inflows were \$709,709, net position was \$(6,101,093), revenues were \$8,398,687, and expenses were \$8,359,060.

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

REQUIRED SUPPLEMENTARY INFORMATION

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2017

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources	693,932	693,932	755,189	61,257
State Sources	2,356,290	2,356,290	2,359,227	2,937
Federal Sources	<u>45,995</u>	<u>45,995</u>	<u>46,818</u>	<u>823</u>
Total Revenues	3,096,217	3,096,217	3,161,235	65,018
EXPENDITURES				
Current				
Instruction	1,618,887	1,618,887	1,594,265	24,622
Supporting Services				
Pupils	85,395	85,395	79,587	5,808
Instructional Staff - Library	50,049	50,049	40,141	9,908
General Administration	138,111	138,111	128,079	10,032
School Administration	302,118	302,118	305,036	(2,918)
Business Services	112,260	112,260	111,110	1,150
Operations & Maintenance	403,336	403,336	374,234	29,102
Pupil Transportation	100,280	100,280	87,999	12,281
Central Services	144,521	144,521	100,966	43,555
Debt Service	73,600	73,600	3,605	69,995
Capital Outlay	29,750	29,750	10,103	19,647
Appropriated reserves	<u>1,719,061</u>	<u>1,719,061</u>	<u>0</u>	<u>1,719,061</u>
Total Expenditures	<u>4,777,368</u>	<u>4,777,368</u>	<u>2,835,126</u>	<u>1,942,242</u>
Excess of revenues over (under) Expenditures	(1,681,151)	(1,681,151)	326,109	2,007,260
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(189,000)</u>	<u>(189,000)</u>	<u>(189,000)</u>	<u>0</u>
Excess or revenues and other sources over (under) expenditures and other uses	(1,870,151)	(1,870,151)	137,109	2,007,260
Fund Balance - Beginning	<u>1,870,151</u>	<u>1,870,151</u>	<u>1,870,151</u>	<u>(0)</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>2,007,260</u>	<u>2,007,260</u>

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.032754%	0.036987%	0.040143%	0.042400%
Proportionate share of the collective net pension liability	9,752,179	5,656,872	5,440,727	5,408,155
Covered payroll	1,470,065	1,611,796	1,681,702	1,708,907
Proportionate share of the net pension liability as a percentage of its covered employee payroll	663.38%	350.97%	323.52%	316.47%
Plan fiduciary net position as a percentage of total pension liability	43.10%	59.20%	62.80%	64.06%

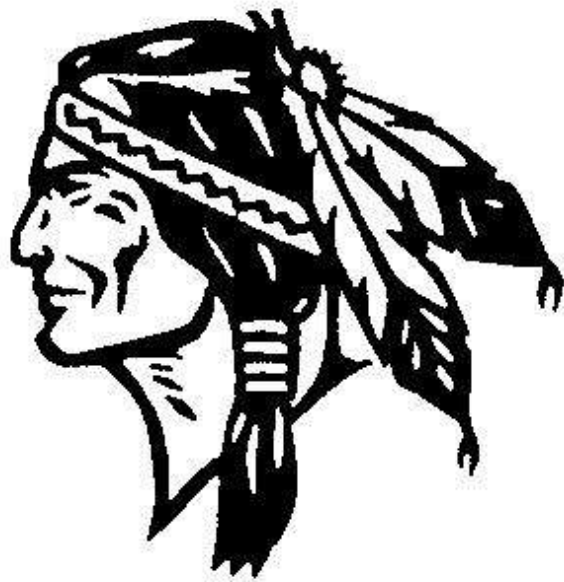
The amounts presented for each year were determined as of December 31.

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

As of June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Statutorily required contributions	271,517	264,403	286,002	268,288	265,180	260,914	236,236	222,537	227,305	203,773
Contributions in relation to the statutorily required contribution	<u>271,517</u>	<u>264,403</u>	<u>286,002</u>	<u>268,288</u>	<u>265,180</u>	<u>260,914</u>	<u>236,236</u>	<u>222,537</u>	<u>227,305</u>	<u>203,773</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	1,476,789	1,491,148	1,693,128	1,677,848	1,757,907	1,838,181	1,777,298	1,797,158	1,978,812	1,924,301
Contributions as a percentage of covered-employee payroll	18.39%	17.73%	16.89%	15.99%	15.08%	14.19%	13.29%	12.38%	11.49%	10.59%

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

This page was intentionally left blank



OTHER INFORMATION

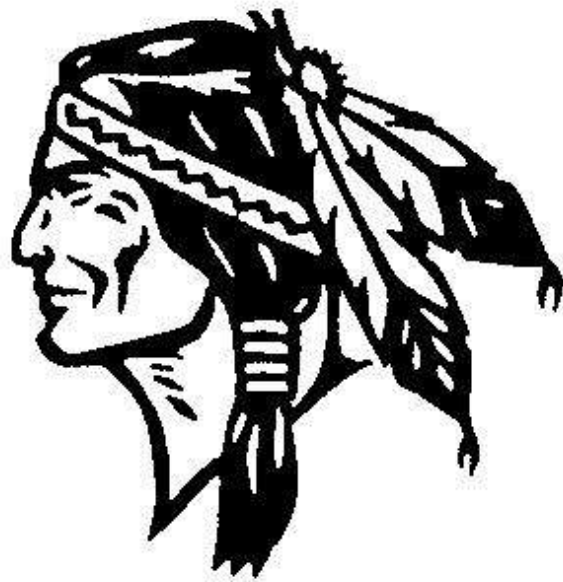
COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Combining Balance Sheet
 All Nonmajor Governmental Funds
 June 30, 2017

ASSETS	Food <u>Service</u>	Student <u>Activity</u>	Capital <u>Projects</u>	<u>Totals</u>
Cash	40,522	2,288	123,737	166,547
Accounts/Grants Receivable	81	0	0	81
Inventory	<u>7,023</u>	<u>0</u>	<u>0</u>	<u>7,023</u>
Total Assets	<u>47,626</u>	<u>2,288</u>	<u>123,737</u>	<u>173,651</u>
LIABILITIES				
Accrued Sick Leave	4,020	0	0	4,020
Accrued Salaries & Benefits	<u>9,250</u>	<u>0</u>	<u>0</u>	<u>9,250</u>
Total Liabilities	13,270	0	0	13,270
UNEARNED REVENUE	1,374	0	0	1,374
FUND BALANCE				
Nonspendable	7,023	0	0	7,023
Committed	0	0	123,737	123,737
Assigned	<u>25,959</u>	<u>2,288</u>	<u>0</u>	<u>28,247</u>
Total Fund Balances	<u>32,982</u>	<u>2,288</u>	<u>123,737</u>	<u>159,007</u>
Total Liabilities and Fund Balances	<u>47,626</u>	<u>2,288</u>	<u>123,737</u>	<u>173,651</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 All Nonmajor Governmental Funds
 For the Year Ended June 30, 2017

	<u>Food Service</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Totals</u>
REVENUES				
Local Sources	39,763	48,239	6,115	94,116
State Sources	1,597	0	0	1,597
Federal Sources	<u>47,482</u>	<u>0</u>	<u>0</u>	<u>47,482</u>
Total Revenues	88,842	48,239	6,115	143,196
EXPENDITURES				
Current				
Food Service	134,811	0	0	134,811
Other	0	62,417	7,025	69,442
Capital Outlay	<u>0</u>	<u>0</u>	<u>103,499</u>	<u>103,499</u>
Total Expenditures	<u>134,811</u>	<u>62,417</u>	<u>110,524</u>	<u>307,751</u>
Excess of Revenues over (under) Expenditures	(45,968)	(14,178)	(104,409)	(164,555)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>69,000</u>	<u>15,000</u>	<u>105,000</u>	<u>189,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	23,032	822	591	24,445
Fund Balance - Beginning	<u>9,950</u>	<u>1,466</u>	<u>123,146</u>	<u>134,562</u>
Fund Balance - Ending	<u>32,982</u>	<u>2,288</u>	<u>123,737</u>	<u>159,007</u>



GENERAL FUND

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

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
ASSETS			
Cash			
On Hand	2,500	2,500	0
In Bank	<u>2,269,262</u>	<u>2,141,703</u>	<u>127,559</u>
Total Cash	2,271,762	2,144,203	127,559
Accounts Receivable	3,297	10,451	(7,154)
Accrued Property Tax Receivable	<u>11,353</u>	0	<u>11,353</u>
Total Assets	<u>2,286,412</u>	<u>2,154,654</u>	<u>131,758</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	13,870	12,907	964
Accrued Sick Leave	43,196	42,909	287
Accrued Salaries and Benefits Payable	<u>222,086</u>	<u>228,688</u>	<u>(6,601)</u>
Total Liabilities	279,153	284,504	(5,351)
Fund Balance			
Restricted for TABOR Reserve	95,928	100,952	(5,025)
Restricted for Preschool	0	8,814	(8,814)
Unassigned	<u>1,911,332</u>	<u>1,760,384</u>	<u>150,947</u>
Total Fund Balance	<u>2,007,260</u>	<u>1,870,151</u>	<u>137,109</u>
Total Liabilities and Fund Balance	<u>2,286,412</u>	<u>2,154,654</u>	<u>131,758</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
From Local Sources				
Current Property Taxes	571,912	609,726	37,814	572,775
Specific Ownership Taxes	92,995	106,291	13,296	97,000
Delinquent Taxes & Interest	1,300	712	(588)	1,272
Investment Interest	10,000	15,037	5,037	5,775
Tuition	6,700	9,740	3,040	7,248
Indirect Costs	0	0	0	0
Other	<u>11,025</u>	<u>13,683</u>	<u>2,658</u>	<u>42,551</u>
Total Local Sources	693,932	755,189	61,257	726,621
From State Sources				
Equalization	2,282,001	2,281,995	(6)	2,400,762
ELPA	3,206	3,641	435	3,508
Gifted & Talented	5,800	0	(5,800)	0
Transportation	31,450	31,748	298	12,781
BOCES Flowthrough	600	30,945	30,345	33,667
Other	<u>33,233</u>	<u>10,898</u>	<u>(22,335)</u>	<u>89,737</u>
Total State Sources	2,356,290	2,359,227	2,937	2,540,455
From Federal Sources				
Federal	25,577	25,577	0	20,869
BOCES Flowthrough	<u>20,418</u>	<u>21,241</u>	<u>823</u>	<u>22,871</u>
Total Federal Sources	<u>45,995</u>	<u>46,818</u>	<u>823</u>	<u>43,740</u>
Total Revenues	3,096,217	3,161,235	65,018	3,310,816
 Expenditures	 <u>4,777,368</u>	 <u>2,835,126</u>	 <u>1,942,242</u>	 <u>2,752,856</u>
Excess of Revenues over (under) Expenditures and Other Sources	(1,681,151)	326,109	2,007,260	557,959
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>(189,000)</u>	<u>(189,000)</u>	<u>0</u>	<u>(247,000)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,870,151)	137,109	2,007,260	310,959
Fund Balance - Beginning	<u>1,870,151</u>	<u>1,870,151</u>	<u>0</u>	<u>1,559,191</u>
Fund Balance - Ending	<u>0</u>	<u>2,007,260</u>	<u>2,007,260</u>	<u>1,870,151</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
INSTRUCTION				
Current				
Salaries	971,876	961,344	10,532	972,119
Employee Benefits	418,559	417,150	1,409	357,061
Purchased Services	173,002	179,695	(6,693)	141,871
Supplies and Material	54,650	35,709	18,941	52,134
Other	800	368	433	134
Capital Outlay	<u>13,550</u>	<u>4,578</u>	<u>8,972</u>	<u>5,465</u>
Total Instruction	1,632,437	1,598,843	33,594	1,528,784
SUPPORTING SERVICES				
Students				
Current				
Salaries	41,944	41,944	0	41,278
Employee Benefits	17,109	16,343	766	15,722
Purchased Services	12,492	13,325	(833)	11,026
Supplies and Material	10,550	4,719	5,831	8,789
Other	3,300	3,256	44	796
Capital Outlay	<u>200</u>	<u>0</u>	<u>200</u>	<u>0</u>
Total Students	85,595	79,587	6,008	77,612
Instructional Staff Services				
Current				
Salaries	14,393	17,188	(2,795)	16,858
Employee Benefits	8,856	8,250	606	3,416
Purchased Services	14,700	4,953	9,747	12,595
Supplies and Material	12,100	9,750	2,350	6,185
Capital Outlay	<u>3,400</u>	<u>0</u>	<u>3,400</u>	<u>0</u>
Total Instructional Staff	53,449	40,141	13,308	39,055
General Administration				
Current				
Salaries	63,196	62,461	735	58,337
Employee Benefits	23,871	20,017	3,854	18,824
Purchased Services	28,544	26,518	2,026	22,912
Supplies and Material	9,500	8,134	1,366	7,358
Other	13,000	10,950	2,050	14,323
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Administration	138,111	128,079	10,032	121,755

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
School Administration				
Current				
Salaries	215,177	221,342	(6,165)	214,003
Employee Benefits	83,941	83,605	336	77,440
Purchased Services	1,500	89	1,411	1,420
Supplies and Material	500	0	500	0
Other	1,000	0	1,000	520
Capital Outlay	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>0</u>
Total School Administration	303,118	305,036	(1,918)	293,383
Business				
Current				
Salaries	62,031	62,045	(14)	60,400
Employee Benefits	14,292	14,819	(527)	14,020
Purchased Services	34,587	33,322	1,265	37,608
Supplies and Material	1,100	924	176	773
Other	250	0	250	0
Capital Outlay	<u>500</u>	<u>0</u>	<u>500</u>	<u>0</u>
Total Business	112,760	111,110	1,650	112,802
Operations & Maintenance				
Current				
Salaries	75,224	73,718	1,506	76,840
Employee Benefits	32,412	31,821	591	30,815
Purchased Services	164,500	156,135	8,365	145,427
Supplies and Material	131,200	112,560	18,640	115,209
Other	0	0	0	0
Capital Outlay	<u>4,300</u>	<u>3,562</u>	<u>738</u>	<u>2,666</u>
Total Operations & Maintenance	407,636	377,797	29,839	370,958
Pupil Transportation				
Current				
Salaries	17,650	13,718	3,932	15,025
Employee Benefits	3,680	3,058	622	3,628
Purchased Services	62,950	59,352	3,598	59,959
Supplies and Material	16,000	11,871	4,129	12,025
Capital Outlay	<u>800</u>	<u>559</u>	<u>241</u>	<u>40</u>
Total Pupil Transportation	101,080	88,558	12,522	90,677

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 General Fund
 Statement of Expenditures - Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Support Services				
Current				
Salaries	500	0	500	0
Benefits	104	0	104	0
Purchased Services	128,417	87,958	40,459	100,702
Supplies and Material	15,500	13,008	2,492	7,277
Capital Outlay	<u>6,000</u>	<u>1,404</u>	<u>4,596</u>	<u>6,144</u>
Total Support Services	<u>150,521</u>	<u>102,370</u>	<u>48,151</u>	<u>114,123</u>
 Total Support Services	 1,352,270	 1,232,678	 119,592	 1,220,363
 Debt Service	 73,600	 3,605	 69,995	 3,710
 Contingency Reserve	 <u>1,719,061</u>	 <u>0</u>	 <u>1,719,061</u>	 <u>0</u>
 TOTAL EXPENDITURES	 <u>4,777,368</u>	 <u>2,835,126</u>	 <u>1,942,242</u>	 <u>2,752,856</u>

SPECIAL REVENUE FUNDS

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

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

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
ASSETS			
Current Assets			
Cash	40,522	19,013	21,510
Accounts & Grants Receivable	81	431	(349)
Inventory	<u>7,023</u>	<u>6,328</u>	<u>695</u>
Total Current Assets	<u>47,626</u>	<u>25,771</u>	<u>21,855</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accrued Sick Leave	4,020	4,271	(251)
Accrued Salaries & Benefits	<u>9,250</u>	<u>9,433</u>	<u>(184)</u>
Total Liabilities	13,270	13,705	(435)
Unearned Revenue	1,374	2,116	(742)
Fund Balance			
Nonspendable	7,023	6,328	695
Assigned	<u>25,959</u>	<u>3,623</u>	<u>22,337</u>
Total Fund Balance	<u>32,982</u>	<u>9,950</u>	<u>23,032</u>
Total Liabilities and Fund Balance	<u>47,626</u>	<u>25,771</u>	<u>21,855</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Food Services Special Revenue Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

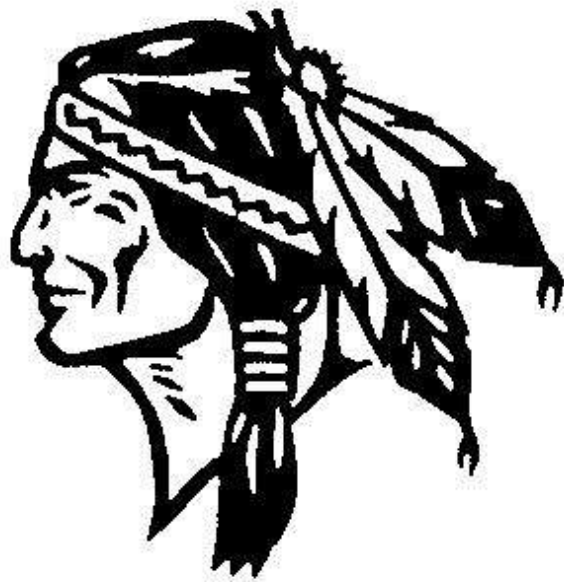
REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	39,900	39,763	(137)	40,719
State Grants	1,390	1,597	207	1,608
Federal aid	36,000	39,715	3,715	36,584
Commodities Donated	<u>8,000</u>	<u>7,768</u>	<u>(232)</u>	<u>6,132</u>
Total Revenue	85,290	88,842	3,552	85,044
EXPENDITURES				
Salaries	59,099	49,596	9,503	47,390
Benefits	29,655	25,252	4,403	23,230
Purchased Services	6,700	2,804	3,896	6,961
Food, Milk & Snacks	53,050	53,206	(156)	50,107
Supplies	9,225	3,952	5,273	3,735
Capital Outlay	3,000	0	3,000	0
Appropriated Reserve	<u>3,511</u>	<u>0</u>	<u>3,511</u>	<u>0</u>
Total Expenditures	<u>164,240</u>	<u>134,811</u>	<u>29,429</u>	<u>131,424</u>
Excess of Revenues over (under) Expenditures and Other Sources	(78,950)	(45,968)	32,982	(46,380)
Other Financing Sources				
Operating Transfers In	<u>69,000</u>	<u>69,000</u>	<u>0</u>	<u>55,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(9,950)	23,032	32,982	8,620
Fund Balance - Beginning	<u>9,950</u>	<u>9,950</u>	<u>0</u>	<u>1,330</u>
Fund Balance - Ending	<u>0</u>	<u>32,982</u>	<u>32,982</u>	<u>9,950</u>

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
ASSETS			
Cash	<u>2,288</u>	<u>1,466</u>	<u>822</u>
ASSIGNED FUND BALANCE	<u>2,288</u>	<u>1,466</u>	<u>822</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
REVENUES				
Gate/Door Admissions	17,000	16,075	925	16,720
Fees	21,700	22,838	(1,138)	22,316
Tickets/Passes	2,000	2,410	(410)	2,040
Donations	0	500	(500)	0
Other Income	<u>9,000</u>	<u>6,416</u>	<u>2,584</u>	<u>4,522</u>
Total Revenues	49,700	48,239	1,461	45,598
EXPENDITURES				
Current				
Purchased Services	48,266	42,896	5,370	40,534
Supplies	<u>17,900</u>	<u>19,521</u>	<u>(1,621)</u>	<u>23,191</u>
Total Expenditures	<u>66,166</u>	<u>62,417</u>	<u>3,749</u>	<u>63,726</u>
Excess of Revenues over (under) Expenditures	(16,466)	(14,178)	5,211	(18,128)
Operating Transfer In	<u>15,000</u>	<u>15,000</u>	<u>0</u>	<u>14,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,466)	822	5,211	(4,128)
Fund Balance - Beginning	<u>1,466</u>	<u>1,466</u>	<u>(0)</u>	<u>5,593</u>
Fund Balance - Ending	<u>0</u>	<u>2,288</u>	<u>5,210</u>	<u>1,466</u>



CAPITAL PROJECTS FUND

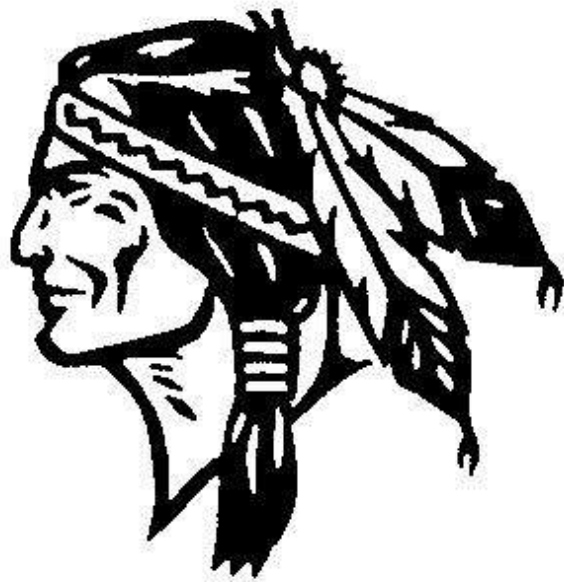
Capital Reserve Fund - to account for acquisition of land or improvements and construction of structures thereon, or acquisition of land with existing structures thereon and equipment and furnishing therein; construction of additions to existing structures; procurement of equipment for new buildings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

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

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
ASSETS			
Cash	<u>123,737</u>	<u>123,146</u>	<u>591</u>
FUND BALANCE			
Committed for Capital Projects	<u>123,737</u>	<u>123,146</u>	<u>591</u>

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Capital Reserve Capital Projects Fund
 Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget and Actual
 For the Year Ended June 30, 2017
 With Comparative Actual Amounts for the Year Ended June 30, 2016

REVENUES			Variance Favorable	Actual Prior Year
Local Sources	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	
Investment Earnings	200	182	(18)	33
Grant Income	<u>0</u>	<u>5,933</u>	<u>5,933</u>	<u>0</u>
Total Revenues	200	6,115	5,915	33
EXPENDITURES				
Capital Outlay				
Site Improvement	0	0	0	0
Equipment	0	5,933	(5,933)	42,323
Vehicles	56,000	56,000	0	73,000
Noncapital Equipment	<u>50,000</u>	<u>41,566</u>	<u>8,434</u>	<u>21,434</u>
Total Capital Outlay	106,000	103,499	2,501	136,757
Other				
Repairs & other	20,000	7,025	12,975	0
Appropriated Reserves	<u>115,957</u>	<u>0</u>	<u>115,957</u>	<u>0</u>
Total Expenditures	<u>241,957</u>	<u>110,524</u>	<u>131,433</u>	<u>136,757</u>
Excess of Revenues over (under) Expenditures	(241,757)	(104,409)	137,348	(136,724)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>105,000</u>	<u>105,000</u>	<u>0</u>	<u>178,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(136,757)	591	137,348	41,276
Fund Balance - Beginning	<u>136,757</u>	<u>123,146</u>	<u>(13,611)</u>	<u>81,870</u>
Fund Balance - Ending	<u>0</u>	<u>123,737</u>	<u>123,737</u>	<u>123,146</u>



AGENCY FUND

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

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017

	Balance <u>7/1/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/17</u>
Clearing account	153	0	0	153
Class of 2016	562	0	562	0
Class of 2017	4,365	650	4,056	959
Class of 2018	1,541	14,931	9,580	6,892
Class of 2019	795	851	39	1,607
Class of 2020	(36)	2,067	1,330	700
Class of 2021	0	40	127	(87)
After Prom	422	4,956	5,245	133
Band	5,903	7,639	7,507	6,036
Book Talk	517	0	0	517
Cheerleaders - HS	(337)	0	0	(337)
AP Government Fund	0	0	0	0
Cross Country	410	1,475	2,355	(470)
Drama	2,119	2,001	2,338	1,783
Elementary Fundraising	1,220	374	38	1,555
Elementary Student Senate	1,583	683	773	1,493
FBLA	798	0	0	798
F C A	(476)	0	0	(476)
"K" club	18	0	0	18
Library	6,320	1,787	2,050	6,057
Matchwits	0	0	0	0
NHS	(582)	493	385	(474)
Junior NHS	(19)	0	385	(404)
Student Council - HS	2,094	2,654	2,105	2,642
Student Council - MS	697	899	755	840
VB camp	301	6,102	6,559	(156)
Vocal	0	0	0	0
WEB Leaders	0	0	0	0
Yearbook	(922)	6,439	8,377	(2,860)
MS Clearing Account	388	0	0	388

ELBERT COUNTY SCHOOL DISTRICT C-2
 Kiowa, Colorado
 Student Activity Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended June 30, 2017
 (continued)

	Balance <u>7/1/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/17</u>
MS Science Account	130	4,993	5,317	(194)
HS Football Camp	2,426	1,360	3,886	(100)
HS Wrestling Camp	41	1,115	1,115	41
HS Baseball Camp	(215)	740	537	(11)
HS Basketball Boys	(569)	90	0	(479)
AP Exams	(11)	1,139	45	1,083
Wash DC trip - 2015	2,492	0	0	2,492
Randy Wilson Memorial	3,600	0	213	3,388
HS Basketball Girls	(163)	5,100	5,044	(107)
MSBB Camp	25	0	0	25
Concession Bldg/Bleachers	432	0	0	432
HS Science Club	238	245	238	245
Elementary TRIBE	1,527	0	373	1,154
School Sign	3,402	562	0	3,963
MS TRIBE	(7)	938	353	578
Arts/crafts	1,883	700	1,576	1,007
Books/fines/fees	594	908	994	508
Donations	(868)	200	0	(668)
Field trips	4	2,991	2,988	7
General activities	(904)	10,416	10,397	(885)
Jump/Hoops for Heart	5,859	315	4,095	2,079
Life Skills	124	0	0	124
Supplies	2	1,808	1,803	7
Shop - Wood/Auto	142	0	0	142
Preschool Scholarship	0	0	948	(948)
Distant Learning Fee	4,036	0	368	3,668
Section 125 Account	0	2,215	0	2,215
PBS Fund	<u>89</u>	<u>10</u>	<u>0</u>	<u>99</u>
Total	52,137	89,883	94,855	47,166
 Budget	 <u>52,137</u>	 <u>130,000</u>	 <u>182,137</u>	 <u>0</u>
 Variance - Favorable (Unfavorable)	 <u>0</u>	 <u>(40,117)</u>	 <u>87,282</u>	 <u>47,166</u>

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

AUDITOR'S INTEGRITY REPORT



Colorado Department of Education
Auditors Integrity Report
 District: 0930 - KIOWA C-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	1,870,151		2,972,235		2,835,126		2,007,260
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
Sub-Total	1,870,151		2,972,235		2,835,126		2,007,260
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	9,950		157,842		134,811		32,982
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	1,466		63,239		62,417		2,288
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	123,146		111,115		110,524		123,737
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Totals	2,004,713		3,304,430		3,142,877		2,166,266
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60.65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	52,137		89,883		94,855		47,166
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	52,137		89,883		94,855		47,166
FINAL							