

**EL PASO COUNTY SCHOOL DISTRICT #22
ELLICOTT, COLORADO**

**FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORTS**

**FOR THE YEAR ENDED
JUNE 30, 2018**

EL PASO COUNTY SCHOOL DISTRICT #22
ROSTER OF SCHOOL OFFICIALS

Year Ended June 30, 2018

BOARD OF EDUCATION

President - Jackie Chamber

Vice President - Jody Wilson

Treasurer - Matt Amendt

Secretary – Chris Jones

Director – Becky Netelli

ADMINISTRATIVE STAFF

Chris Smith - Superintendent of Schools

Kimberly Ekberg – Business Manager

EL PASO COUNTY SCHOOL DISTRICT #22

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FINANCIAL SECTION

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Required Supplementary Information - Unaudited)

ELPASO COUNTY SCHOOL DISTRICT #22
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI) June 30, 2018.

The management of El Paso County School District # 22 (the "District") offer you, the readers of this Annual Financial Report, this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the financial statements, financial statement footnotes, budgetary comparison schedules and additional supplementary information to broaden their understanding of the District's financial performance.

Financial Highlights

- While the District's net position is \$(4,032,550) due to the PERA liability changes, it is important to point out that the District has a general fund ending balance of \$1,979,274 making the general fund just under the 3 month reserves. The board has approved a transfer to food service in the amount of \$65,416 to help make that whole. A transfer has not been made to food service since 2014 and with rising food costs and stringent nutrition rules this may need to be a recurring transfer each year. Again, the change in net position was (\$7,977,784) this is solely due to the fact that the PERA liability is seeing some major shifts statewide.
- The District's total Unrestricted Net Position for the primary reporting entity decreased by \$8,062,102 while the Restricted Net Position increased by \$57,836. The decrease in unrestricted net position is related to a combination of an overall increase in PERA's net pension liability as of June 30, 2018 as well as an increase in the District's proportionate share of that pension liability. The increase in restricted net position is primarily related to changes in personnel contracts that restricted resources for contract fulfillment as well as increases in Debt Service reserves.
- The District's Governmental Funds fund balance increased by \$696,721 to an ending fund balance of \$3,309,742. This increase is primarily attributable to the lack of capital purchases, restructuring of administrative positions, and decreased expenditures in most operating areas.
- The Governmental Funds reported combined unassigned fund balance of \$1,587,605 representing 16% of total governmental expenditures.

The District's net capital assets were \$9,802,602 as of June 30, 2018. For additional more detailed information please refer to footnote 4. In addition, the District reports a long term grant receivable related to facility improvements of \$14,164,245 as further described in Note 14.

Using the Basic Financial Statements

This discussion and analysis serve as an introduction to the District's basic financial statements. The District's basic financial statements consist of three components:

- 1) government-wide financial statements,
- 2) fund financial statements, and
- 3) notes to the financial statements.

This report also contains required and other supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. They consist of two statements:

The **statement of net position** presents information on all the District's assets, liabilities and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of changes in the financial position of the District. Current and previous year information is presented for comparison.

The **statement of activities** presents information reporting how the District's net position changed during fiscal year 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows for future fiscal periods. Earned but unused vacation leave and uncollected taxes are examples of these types of items.

The governmental activities of the District include instruction, pupil activities, instructional support, general and school administration, business and central services, food service and transportation.

Governmental Activities – The majority of the District's programs and services are reported here including instruction, support services, operations and maintenance of plant, pupil transportation, food service and extracurricular activities.

A condensed summary of the District's net position is as follows:

TABLE 1 - CONDENSED STATEMENT OF NET POSITION

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Current Assets and Other Assets	\$ 4,390,276	\$ 3,949,447
Capital Assets	<u>23,966,847</u>	<u>24,333,135</u>
Total Assets	<u>28,357,123</u>	<u>28,282,582</u>
Deferred Outflows of Financial Resources	<u>12,480,549</u>	<u>15,285,962</u>
Current Liabilities	1,052,412	1,303,609
Long-Term Liabilities	<u>40,228,277</u>	<u>38,116,937</u>
Total Liabilities	<u>41,280,689</u>	<u>39,420,546</u>
Deferred Inflows of Financial Resources	<u>3,589,533</u>	<u>202,763</u>
Net Investment in Capital Assets	7,942,736	7,916,255
Restricted Net Position	1,213,494	1,155,658
Unrestricted Net Position	<u>(13,188,780)</u>	<u>(5,126,678)</u>
Total Net Position	<u>\$ (4,032,550)</u>	<u>\$ 3,945,235</u>

A condensed summary of the District's net activities is as follows:

TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES

	Governmental Activities	
	<u>2018</u>	<u>2017</u>
Program Revenues:		
Charges for Services	\$ 250,542	\$ 269,545
Operating Grants	1,502,899	1,475,936
Capital Grants	<u>360,470</u>	<u>333,545</u>
Total Program Revenues	<u>2,113,911</u>	<u>2,079,026</u>
General Revenues:		
Property Taxes	1,292,875	1,251,130
State Equalization	7,280,827	6,795,679
Other Revenues	147,313	120,459
Insurance Proceeds	<u>1,535</u>	<u>-</u>
Total General Revenues	<u>8,722,550</u>	<u>8,167,268</u>
Total Revenues	<u>10,836,461</u>	<u>10,246,294</u>
Expenses		
Instruction	10,303,574	10,519,030
Supporting Services	7,561,811	7,063,885
Interest Expense	<u>77,702</u>	<u>81,948</u>
Total Expenses	<u>17,943,087</u>	<u>17,664,863</u>
Change in Net Position	<u>(7,106,626)</u>	<u>(7,418,569)</u>
Net Position - Beginning	3,945,235	11,363,804
Prior Period Restatement	<u>(871,159)</u>	<u>-</u>
Net Position - Beginning (As Restated)	<u>3,074,076</u>	<u>11,363,804</u>
Net Position - Ending	<u>\$ (4,032,550)</u>	<u>\$ 3,945,235</u>

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All District funds can be divided into two categories: governmental funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintained five individual governmental funds for fiscal year 2018. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for:

- 1) the General Fund (including preschool operation),
- 2) the Designated Purpose Grants Fund (closed effective 6-30-17)
- 3) the Food Services Fund and
- 4) the Capital Projects Fund and
- 5) the Bond Redemption Debt Service Fund.

All 5 are considered *major funds*.

As of June 30, 2018, the District's governmental funds reported a combined fund balance of \$3,309,742 compared to June 30, 2017 of \$2,613,021, which is an increase of \$696,721. The following is additional information by fund which contributed to the change.

The General Fund inflows exceed the outflows by \$198,950. This year we had a fund increase of \$198,950 which is a total change of \$588,478 from the previous year's \$389,528 loss. The District simplified its operations from 2017 and completely eliminated the District's Designated Grants Fund by consolidating certain costs, primarily subsidized state grants, that had previously been reported in the separate Fund. The reduction of expenses was spread across several areas. School Administration costs were reduced by approximately \$150,000 due to restructuring of our admin team, Business Services did increase by \$123,000 due to the increase in the District's liability insurance premium, a trend that is statewide due to the severe weather.

Transportation costs decreased by \$265,722, due to maintenance and repair of the existing fleet, decreasing the need to purchase new buses. Central Support costs were reduced by \$74,000, as we are still working on cutting expenditures by 20%, we are working on streamlining service contracts and reducing excess and redundancy. All other areas had either smaller increases or decreases.

The largest changes were related to revenues. The District received approximately \$40,822 more Federal Impact Aid during 2018 than it did in the prior year, helping to subsidize costs in General Fund. In addition, the District received \$65,000 more from CDE for transportation reimbursement costs than it did the prior year. The District received quarterly BOCES assessment credits totaling approximately \$40,000 which was substantially less than budgeted due to inability to submit audit in a timely manner, therefore, forfeiting the high cost special education reimbursement. We received \$352,971 of CDE Small Rural Schools funding but have yet to spend it and will carry it over in 2018 for expected capital projects. As well as the unaccounted for \$117,000 cash difference from 2017 was decreased to \$40,000 and that was allocated to the General Fund.

The **Designated Grants Fund** was absorbed into General Fund to assist in tracking and simplifying the bookkeeping process. The completion of the GOCO grant was successful and we received our reimbursement of approximately \$343,000 which was placed back into Capital Reserve and will help with future projects.

Overall inflows exceeded outflows in the Capital Project Fund by \$313,518, increasing the ending Fund Balance to \$580,983. The District utilized existing fund resources for capital acquisitions and including the normal transfer from the General Fund.

During the year, Bond Redemption Fund inflows exceeded outflows by \$145,379, leaving an ending Fund Balance of \$749,485. Due to a steady increase in assessed valuation the district will decrease the impact by lowering the mill levy in December of 2018. The District will continually evaluate methods to spend down the bond redemption fund while lowering mill levies until the payment levels out and the 2011 bond is paid in full.

For the year ended June 30,2018, Food Service Fund balance decreased by \$26,542. The loss resulted in a net carryover deficit of \$38,874. Adjustments will continue to be made in order to bring expenditures in line with revenues. The District made a \$65,416 transfer to recover the deficit through a General Fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefits of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available for the support of the District's own programs. The Pupil Activity Fund is an example of this type of fund.

Debt Administration

As of June 30, 2018, the District had total outstanding long-term debt as follows:

	Balance As Restated			Balance June 30 2018	Current Portion	Interest Expense
	July 1					
	2017	Advances	Payments			
Series 2011 General Obligation Bonds	\$ 1,944,717	\$ -	\$ 96,269	\$ 1,848,448	\$ 100,234	\$ 78,111
PERA Net Pension Liability	36,172,220	1,223,366	-	37,395,586	-	-
OPEB Net Liability	901,163	-	47,213	853,950	-	-
Copier Capital Lease	-	11,765	347	11,418	2,664	97
Accrued Compensated Absences	-	118,875	-	118,875	-	-
Totals	\$39,018,100	\$ 1,354,006	\$ 143,829	\$ 40,228,277	\$ 102,898	\$ 78,208

During the year, the District made all of its scheduled debt payments. Additional information related to the District's debt can be found in Note 6 to the financial statements. Additional information about the District's pension plan can be found in Note 9.

Capital Assets

As of June 30, 2018, the District's Governmental Activity had capital assets of \$9,802,602 invested in a broad range of assets, including land, buildings, and furniture and equipment. This amount represents a net decrease (including additions, deletions, and depreciation) of \$58,370 from last year. This is a result of normal depreciation of existing assets in the amount of \$519,928 from last year offset by current acquisitions. The District does not maintain separate infrastructure assets as the entire infrastructure has been included with the related capital asset.

TABLE 3 - GOVERNMENT ACTIVITIES CAPITAL ASSETS

	Balance July 1 2017	Additions	Deletions	Balance June 30 2018
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 392,261	\$ -	\$ -	\$ 392,261
Construction in Progress	74,363	-	74,363	-
Total Capital Assets Not Being Depreciated	<u>466,624</u>	<u>-</u>	<u>74,363</u>	<u>392,261</u>
Capital Assets Being Depreciated:				
Land Improvements	1,214,842	507,605	-	1,722,447
Buildings and Improvements	15,907,352	-	-	15,907,352
Transportation Equipment	1,624,053	-	-	1,624,053
Food Service Equipment	39,428	16,551	-	55,979
Other Equipment	358,830	11,765	-	370,595
Total Capital Assets Being Depreciated	<u>19,144,505</u>	<u>535,921</u>	<u>-</u>	<u>19,680,426</u>
Less: Accumulated Depreciation				
Land and Improvements	(666,009)	(53,824)	-	(719,834)
Buildings and Improvements	(8,184,445)	(367,148)	-	(8,551,593)
Transportation Equipment	(679,643)	(72,810)	-	(752,453)
Food Service Equipment	(14,857)	(2,737)	-	(17,594)
Other Equipment	(205,203)	(23,409)	-	(228,612)
Total Accumulated Depreciation	<u>(9,750,157)</u>	<u>(519,928)</u>	<u>-</u>	<u>(10,270,085)</u>
Net Governmental Capital Assets	<u>\$ 9,860,972</u>	<u>\$ 15,993</u>	<u>\$ 74,363</u>	<u>\$ 9,802,602</u>

General Fund Budget

The Board of Education adopts the District's budget in June of each year. If needed, changes are then made in January based on the final October student enrollment. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional inflows are received. Program funding is based upon student enrollment on October 1st of each year. This per pupil funding is a combination of Property Tax, State Equalization, and Specific Ownership Tax. Because these factors are not known in June when the budget is adopted, the portion of inflow from each source is not known until the following January. The District's actual revenues were \$587,937 over the revised budget amount. This is primarily due to the conservative approach of predicting student enrollment and state share per pupil funding.

General Fund expenditures were \$314,868 under the revised budget amount. Instructional benefit costs remained the same but under budget. In addition, the District had budgeted grant revenues in the Designated Grants Fund with the corresponding expenses budgeted in the General Fund. These costs were allocated over to the Grants Fund prior to year end. Also, the District closed out a Grant Project that we were reimbursed \$343,000 for. The district also benefited from not having to pay 2 superintendents

Economic Factors and Next Year's Budget

Going into the FY 2018-2019, the Ellicott School District budgeted conservatively. The budget was built on the estimate of 960 students at \$8,200 a student. As of October 1, 2018, the Ellicott District Verified October funded count for enrollment was 1025, which was an increase of 56 fully funded students from the previous year. The current state share per pupil is \$8,600, which we remain hopeful that there will not be a recession. This is both good and bad because it will bring us out of the small rural category and put us into the rural category, which could mean less funds per pupil, but the past five years we have seen growth in student enrollment. We are also optimistic that kindergarten will be fully funded, which will help to offset the category change. With the District restructuring of administrative positions, we are seeing less of a burden to administrative salaries and in collaboration with our department supervisors and building administrators we continue to be frugal shooting for 20% reduction in spending from the previous year's budget.

In anticipation of issues which will impact next year's budget, the following are high on that list.

- Increasing the district's state designated accreditation status. Our secondary students dropped double digits in their School Performance Frameworks. As we try and pinpoint the sudden fall in our scores, we will at a minimum, struggle to increase the teaching staff to educate the increasing at-risk student population that continues to remain above the state average in the areas of special education, the free and reduced count, and the English Language Learner. To exceed the state average in growth and achievement we still have to focus on closing the achievement gaps. In order to do this, we must not lose instructional staff. This staff allows us to keep class size down and allows us to focus on at-risk factors that our student face. Attracting and retaining high quality educators is very competitive in the State of Colorado and our rural school district can't match the nearby bigger districts in salary and benefits as was demonstrated this past year by not being able to fill all of our teaching positions.
- We still continue to focus on the other district facility safety features relating to lighting, pedestrian traffic patterns, building security and any crumbling surfaces and entryways. We were unable to secure a bond that would have aided us in hardening our security entrances but are still moving forward to secure a BEST grant. We are seeking additional partnerships to assist in the building and re-building of the District's athletic field and structures, that have been neglected because the focus shifted to the 2015 completion of the new pre-school, middle school and district offices. Also, a pressing need to make sure that our High School is compliant with 2010 ADA and NANSI regulations. These partnerships include but are not limited to the Ellicott Metro Athletic District, Pikes Peak BOCES, El Paso County Sheriff's Department, El Paso County and Schriever Air Force Base. Schriever Air Force Base remains very important part of the District's growth model and proves to be a great asset to the District as a whole. The District will continue building upon the great relationship with Schriever Air Force Base and others. This is going to be crucial if we are to keep up with the oncoming urban sprawl east towards our community.

- Our current technology is above the minimum requirements. We are in the 2nd phase of a technology refresh for all of our secondary students, which is a three year plan to help spread out the initial costs of supporting a 1:1 initiative. In a cost saving measure, we went from Dell laptops to Chromebooks for the incoming freshman. This will continue to be an expenditure that we must have to compete with the State, Nation and World.

How well the district is able to meet the challenge of providing facilities and staffing will be determined by the growth factor - a critical component of which will be the amount of commercial growth and potential mineral development. A challenge to keep pace still remains without commercial expansion, mineral development or a change in how the state manages school financing- Amendment 73 would have been extremely helpful. The legislation in regard to school finance is daunting. The negative factor and unfunded PERA liability will continue to impact our district. The moving trend to charter and choice schools also implies that we must find a way to market ourselves to attract new families to us, while maintaining our relationships with our existing community and families. To this end the classroom is evolving beyond the standard brick and mortar. Students need to have the capability to have access to blended learning opportunities such as partnering with area colleges and on-line options.

Ellicott is one of the few rural districts in the state that has remained the same in enrollment. El Paso County does rely on the military. Any sequester in Federal Programs will have a negative impact on the Ellicott School District. A 'need-based' funding method would greatly benefit the Ellicott School District with its large percentage of at-risk youth.

In Fiscal Year 2018 - 2019, the District has already begun to recover from the leadership change that occurred. The District will continue to find ways to restructure for efficiency and effectiveness and avoid deficit spending. We are in year 2 of a 3 year process to balance the budget and rebuild reserves in accordance with the State of Colorado guidelines. The board continues towards a goal of accumulating five months of operating reserves. This is to be coupled with required TABOR reserves, Emergency reserves and a suggested non-appropriated reserve. Our relationship with state and federal agencies continues to grow as the District complies with the ever increasing mandates.

The district leadership continues to anticipate the future with enthusiasm. We must continue to move forward toward improved student learning achievement.

Requests for Information

This financial report is designed to provide a general overview of the El Paso County School District # 22's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to: Kimberly Ekberg, ESD22 Business Manager, 322 South Ellicott Highway, Ellicott, Colorado 80808.

Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Education
El Paso County School District # 22
Ellicott, Colorado

Independent Auditors' Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District # 22, Colorado, as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the basic financial statements of the District, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District # 22, Colorado, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the El Paso County School District # 22's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 6, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Note 15 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M9, pension and other post-employment benefit schedules on pages 43-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 47-50 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. In addition, the schedules on pages 51 - 54 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Report on Other Legal and Regulatory Requirements

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 55 - 58 are presented for state regulatory compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2018 on our consideration of the El Paso County School District # 22's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering El Paso County School District # 22s internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Holscher, Mayberry + Company, LLC". The signature is written in a cursive, flowing style.

Englewood, CO
December 12, 2018

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BASIC FINANCIAL STATEMENTS

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2018.

EL PASO COUNTY SCHOOL DISTRICT #22
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>
ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
ASSETS	
Current Assets	
Cash and Investments	\$ 3,378,881
Restricted Cash and Investments	809,302
Cash with Fiscal Agent	15,680
Taxes Receivable	70,584
Grants Receivable	93,350
Other Accounts Receivable	11,869
Inventory	<u>10,610</u>
Total Current Assets	<u>4,390,276</u>
Noncurrent Assets	
BEST Grant Receivable	14,164,245
Capital Assets, not being depreciated	392,261
Capital Assets, being depreciated	<u>9,410,341</u>
Total Noncurrent Assets	<u>23,966,847</u>
TOTAL ASSETS	<u>28,357,123</u>
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	
Net Pension Deferred Outflows	12,451,187
Net OPEB Deferred Outflows	<u>29,362</u>
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>12,480,549</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES	<u>\$ 40,837,672</u>
LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES AND FUND BALANCE	
LIABILITIES	
Current Liabilities	
Accounts Payable	\$ 168,690
Accrued Interest	6,172
Accrued Salaries & Benefits	<u>877,550</u>
Total Current Liabilities	<u>1,052,412</u>
Noncurrent Liabilities	
Due Within One Year	102,898
Due In More Than One Year	<u>40,125,379</u>
Total Noncurrent Liabilities	<u>40,228,277</u>
TOTAL LIABILITIES	<u>41,280,689</u>
DEFERRED INFLOWS OF FINANCIAL RESOURCES	
Net Pension Deferred Inflows	3,499,809
Net OPEB Deferred Inflows	55,430
Deferred Inflows - Grants	14,259
Deferred Inflows - Other	<u>20,035</u>
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES	<u>3,589,533</u>
NET POSITION	
Net Investment in Capital Assets	7,942,736
Restricted Net Position	1,213,494
Unrestricted Net Position	<u>(13,188,780)</u>
TOTAL NET POSITION	<u>(4,032,550)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF FINANCIAL RESOURCES AND NET POSITION	<u>\$ 40,837,672</u>

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

EL PASO COUNTY SCHOOL DISTRICT #22
 Balance Sheet
 Governmental Funds
 June 30, 2018
 (With Comparative Totals for June 30, 2017)

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
		<u>Bond</u>	
	<u>Food Service</u>	<u>Redemption</u>	<u>Capital Reserve</u>
	<u>Fund</u>	<u>Fund</u>	<u>Project Fund</u>
<u>General Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Project Fund</u>
ASSETS			
Cash and Investments	\$ 2,999,931	\$ 22,444	\$ -
Restricted Cash and Investments	-	-	809,302
Cash with Fiscal Agent	11,491	-	4,189
Taxes Receivable	51,513	-	19,071
Interfund Accounts Receivable	550	-	-
Grants Receivable	88,914	4,436	-
Other Accounts Receivable	4,912	6,957	-
Inventory	-	10,610	-
Prepaid Expenses	-	-	-
TOTAL ASSETS	<u>\$ 3,157,311</u>	<u>\$ 44,447</u>	<u>\$ 832,562</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE			
Liabilities			
Interfund Accounts Payable	\$ 166,500	\$ -	\$ 83,077
Accounts Payable	140,886	3,254	-
Accrued Salaries & Benefits	856,392	21,158	-
Total Liabilities	<u>1,163,778</u>	<u>24,412</u>	<u>83,077</u>
Deferred Inflows of Financial Resources			
Deferred Inflows - Other	-	20,035	-
Deferred Inflows - Grants	14,259	-	-
Total Deferred Inflows of Financial Resources	<u>14,259</u>	<u>20,035</u>	<u>-</u>
Fund Balance			
Nonspendable Fund Balance	-	10,610	-
Restricted Fund Balance			
Restricted for Debt Service	-	-	749,485
Restricted for TABOR Emergencies	285,000	-	-
Restricted for Colorado Preschool Program	96,059	-	-
Restricted for BEST Replacement Reserve	-	-	82,950
Restricted for TABOR Multiyear Obligations	-	-	-
Committed Fund Balance			
Committed for Fund Purposes	-	-	498,033
Unassigned Fund Balance	1,598,215	(10,610)	-
Total Fund Balance	<u>1,979,274</u>	<u>-</u>	<u>749,485</u>
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 3,157,311</u>	<u>\$ 44,447</u>	<u>\$ 832,562</u>

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

Totals

<u>2018</u>	<u>2017</u>
\$ 3,378,881	\$ 3,079,084
809,302	627,867
15,680	15,908
70,584	56,048
251,760	179,592
93,350	127,265
11,869	16,339
10,610	15,092
-	11,844
<u>\$ 4,642,036</u>	<u>\$ 4,129,039</u>
\$ 251,760	\$ 179,592
168,690	331,768
<u>877,550</u>	<u>965,332</u>
<u>1,298,000</u>	<u>1,476,692</u>
20,035	23,151
<u>14,259</u>	<u>16,175</u>
<u>34,294</u>	<u>39,326</u>
10,610	14,621
749,485	604,106
285,000	269,000
96,059	101,552
82,950	56,000
-	125,000
498,033	211,465
<u>1,587,605</u>	<u>1,231,277</u>
<u>3,309,742</u>	<u>2,613,021</u>
<u>\$ 4,642,036</u>	<u>\$ 4,129,039</u>

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EL PASO COUNTY SCHOOL DISTRICT #22
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2018

Fund Balance - Governmental Funds			\$ 3,309,742
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	\$	392,261	
Capital assets, being depreciated		19,680,426	
Accumulated depreciation		<u>(10,270,085)</u>	9,802,602
Certain long-term assets are not available to pay for current year expenditures and are therefore not reported in the funds			
Long-Term BEST Grant Receivable			14,164,245
Certain long-term pension related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds			
PERA Pension			
Net Deferred Pension Outflows		12,451,187	
Net pension liability		(37,395,586)	
Net Deferred Pension Inflows		(3,499,809)	(28,444,208)
PERA Health Care Trust Fund (OPEB)			
Net Deferred Pension Outflows		29,362	
Net OPEB liability		(853,950)	
Net Deferred Pension Inflows		<u>(55,430)</u>	(880,018)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Bonds payable		(1,848,448)	
Capital leases payable		(11,418)	
Accrued interest payable		(6,172)	
Accrued compensated absences		<u>(118,875)</u>	<u>(1,984,913)</u>
Total Net Position - Governmental Activities			<u>\$ (4,032,550)</u>

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

EL PASO COUNTY SCHOOL DISTRICT #22
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	<u>Special Revenue</u>		<u>Debt Service</u>	<u>Capital Projects</u>
	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Project Fund</u>
REVENUES				
Local Sources	\$ 1,149,427	\$ 126,986	\$ 320,034	\$ 97,549
Intermediate Sources	238	-	-	-
State Sources	7,743,872	10,048	-	343,913
Federal Sources	660,530	383,864	-	-
TOTAL REVENUES	9,554,067	520,898	320,034	441,462
EXPENDITURES				
Instruction	5,112,323	-	-	-
Pupil Support	229,612	-	-	-
Staff Support	184,429	-	-	-
General Administration	346,049	-	-	-
School Administration	702,146	-	-	-
Business Services	435,167	-	-	-
Operations and Maintenance	858,094	-	-	-
Transportation	736,774	-	-	-
Other Central Support	377,111	-	-	-
Risk Management	4,535	-	-	-
Food Service	-	547,440	-	-
Facilities	-	-	-	436,555
Other Uses	6,615	-	-	-
Debt Service	-	-	174,655	-
TOTAL EXPENDITURES	8,992,855	547,440	174,655	436,555
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	561,212	(26,542)	145,379	4,907
OTHER FINANCING SOURCES (USES)				
Debt Proceeds	11,765	-	-	-
Transfer In (Out) - net	(374,027)	65,416	-	308,611
TOTAL OTHER FINANCING SOURCES (USES)	(362,262)	65,416	-	308,611
CHANGE IN FUND BALANCE	198,950	38,874	145,379	313,518
BEGINNING FUND BALANCE	1,780,324	(38,874)	604,106	267,465
ENDING FUND BALANCE	\$ 1,979,274	\$ -	\$ 749,485	\$ 580,983

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

Totals

<u>2018</u>	<u>2017</u>
\$ 1,693,996	\$ 1,731,304
238	126
8,097,833	7,542,098
<u>1,044,394</u>	<u>1,050,021</u>
<u>10,836,461</u>	<u>10,323,549</u>
5,112,323	5,603,715
229,612	185,793
184,429	192,219
346,049	237,424
702,146	852,238
435,167	295,049
858,094	869,654
736,774	1,002,496
377,111	451,605
4,535	18,300
547,440	557,458
436,555	139,826
6,615	6,725
<u>174,655</u>	<u>174,733</u>
<u>10,151,505</u>	<u>10,587,235</u>
684,956	(263,686)
11,765	-
-	-
<u>11,765</u>	-
696,721	(263,686)
<u>2,613,021</u>	<u>2,876,707</u>
<u>\$ 3,309,742</u>	<u>\$ 2,613,021</u>

EL PASO COUNTY SCHOOL DISTRICT #22
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2018

Change in Fund Balance - Governmental Funds	\$	696,721	
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level			
Capitalized Asset Purchases	\$	461,558	
Depreciation Expense		<u>(519,928)</u>	(58,370)
The long term BEST grant receivable was not recognized as revenue in the fund when the building was placed in service as it is not available to satisfy current obligations and is being amortized due to depreciation on the underlying building that is the basis of grant.			
Amortization of BEST grant receivable			(307,918)
Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.			
Pension Liability			
Change in deferred pension outflows		(1,456,765)	
Change in net pension liability		(1,223,366)	
Change in deferred pension inflows		<u>(4,714,382)</u>	(7,394,513)
OPEB Liability			
Change in deferred pension outflows		(642)	
Change in net OPEB liability		47,213	
Change in deferred pension inflows		<u>(55,430)</u>	(8,859)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level			
Proceeds from debt issuances		(11,765)	
Principal payments on bonds payable		96,269	
Principal payments on capital leases		347	
Change in accrued interest payable		337	
Change in accrued compensated absences		<u>(118,875)</u>	<u>(33,687)</u>
Change in Net Position - Governmental Activities	\$		<u><u>(7,106,626)</u></u>

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

EL PASO COUNTY SCHOOL DISTRICT #22
Statement of Fiduciary Net Position
Fiduciary Funds
Pupil Activity Agency Fund
June 30, 2018
(With Comparative Totals for June 30, 2017)

	<u>Totals</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 118,515	\$ 117,029
LIABILITIES		
NET POSITION		
Restricted Net Position	<u>118,515</u>	<u>117,029</u>

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of El Paso County School District # 22 (the District) conform to generally accepted accounting principles as applicable to governmental units. A summary of the more significant policies is described below.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Codification Section 2100 - *Defining the Financial Reporting Entity*.

Based upon the application of these criteria, no additional organizations are includable within the District's reporting entity.

Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District did not have any business-type activities.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District's governmental activities. Direct expenses are those specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues. The effects of interfund activity have been eliminated from the government-wide financial statements.

Fund Financial Statements The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category (governmental and fiduciary) are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds would be aggregated and reported as non-major funds. The fiduciary funds are presented separately.

The District reports the following major governmental funds.

General Fund: This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Designated Grants (Special Revenue) Fund: This fund accounts for the District's non-food related grant activities that are not accounted for in the General Fund.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Food Service (Special Revenue) Fund: The Food Service Fund accounts for the District's food service program.

Bond Redemption (Debt Service) – Fund – This fund is used to account for the repayment of the District's general obligation indebtedness.

Capital Reserve Projects (Capital Project) Fund – This fund is used to account for the completion of major capital projects. The capital reserve activity is funded through elective transfers from the General Fund.

The District reports one fiduciary fund.

Pupil Activity (Agency) Fund: This fund is used to account for the money held in trust by the District for student organization and scholarships. This fund is custodial and does not measure the results of operations.

Measurement Focus and Basis of Accounting

Government-Wide, Proprietary and Fiduciary Fund Financial Statements

The government-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year-end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles, except for the Enterprise Fund which budgets on a cash basis. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

The District adheres to the procedures described below in establishing the budgetary data reflected in the financial statements.

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Education.
- Encumbrance accounting is not utilized.

The District's expenditures exceeded appropriations in the Food Service Fund by \$19,053 and the Capital Reserves Project Fund by \$41,642 which is a violation of Colorado Statutes.

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash is pooled in interest-bearing accounts which are comprised of certificates of deposit, savings accounts, and money market accounts that are legally authorized. Investments are stated at fair value.

Cash and Cash Equivalents – The government'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.

Receivables

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance (Continued)

Inventories

Inventory of proprietary funds are valued at the lower of cost (first-in, first-out) or market.

Capital Assets

Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds. Property and equipment with a cost of \$5,000 or greater are considered capital assets.

Property and equipment acquired for the proprietary fund is capitalized in the fund.

Property and equipment are stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

Depreciation has been provided over the estimated useful lives of the asset in the government-wide presentation as well as in the proprietary fund. Depreciation is calculated using the straight-line method over the following useful lives:

Buildings and Site Improvements	10 - 75 years
Vehicles and Other Equipment	10 - 30 years

Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. As all employees are contracted to work a set number of days during a year; no vacation accrual accumulates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has several items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations and further described in Note 9 and 11.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows related to pension and OPEB liabilities as further described in Note 9 and 11 as well as for prepaid student balances and unspent grant proceeds.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows and Net Position/Fund Balance
(Continued)

Net Position/Fund Balance

In the government-wide financial statements net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, and at their highest level of action are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All other remaining governmental balances are reported as unassigned.

Net Position/Fund Balance Flow Assumption

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues and Expenditures/Expenses

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred. Revenues that are directly attributable to a program are shown as program revenues for the statement of activities. These revenues consist of, but are not limited to, grants, fees and other charges for services.

Property Tax Revenues

Property taxes are levied on December 15 based on the assessed value of property, as certified by the county assessor on October 1. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post-mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1 in the year following that in which they are levied. Property taxes are recognized as revenue when payable to the County Treasurer. Due to the nature of Colorado school district funding, uncollected property taxes levied in the current fiscal year for collection in the subsequent fiscal year are identified as property taxes receivable at June 30, and are presented net of an estimated allowance for uncollectible taxes.

Comparative Data

Comparative total data for the prior year have been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS

A summary of deposits and investments at June 30, 2018 is provided below.

Government-wide	
Unrestricted:	
Cash and Deposits	\$ 580,460
Investments:	
Colotrust	<u>2,798,421</u>
Total Unrestricted - Government-wide	3,378,881
Restricted:	
Investments:	
ColoTrust - Bond Redemption	<u>809,302</u>
Total Government-wide	<u>4,188,183</u>
Fiduciary	
Unrestricted:	
Demand deposits	109,786
Certificates of deposit	<u>8,729</u>
Total Fiduciary	<u>118,515</u>
Total Cash & Investments	<u>\$ 4,306,698</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2018, State regulatory commissioners indicated that all financial institutions holding deposits for the District are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits. Deposits are categorized by type of credit risk: (1) Insured or collateralized with securities held by the District or by its agent in the District's name; (2) Collateralized with securities held by the pledging financial institution's trust department or agent in the District's name; or (3) Uncollateralized, including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the District's name.

At June 30, 2018, the District's deposits had bank and carrying balances as follows:

	<u>Bank</u> <u>Balance</u>	<u>Carrying</u> <u>Balance</u>
FDIC Insured	\$ 250,000	\$ 250,000
PDPA Collateralized (Not held in District's name)	<u>501,605</u>	<u>448,975</u>
Total Cash Deposits	<u>\$ 751,605</u>	<u>\$ 698,975</u>

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

The following is a summary of the District's investments as of June 30, 2017:

	<u>Total</u>	<u>Weighted Avg. Mat. In Yrs</u>
Local Government Investment Pools	<u>\$3,607,722</u>	-

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency's securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The District has invested \$3,607,722 in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. Investments of the Trusts consist of U.S. Treasury bills, notes and note strips and repurchase agreements collateralized by U.S. Treasury securities. A designated custodial bank provides safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions of the Trusts. Substantially all securities owned by the Trusts are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the Trusts. These investments, as well as the investments in mutual funds, are not categorized because the underlying securities cannot be determined.

Cash Invested

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The allowed investments include local government investment pools and obligations of the United States Government.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 2: CASH AND INVESTMENTS (Continued)

Interest Rate Risk

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.

Credit Risk

State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investments policy that would further limit its investment choices. At June 30, 2018 the District's investment in the Colorado Government Liquid Assets Trust (COLOTRUST) was rated AAAM by Standard & Poor's. The District's funds held for repayment of the Series 2000 Certificates of Participation are held in trust and are invested in a Fidelity Treasury Portfolio I mutual fund who's rating could not be determined.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

NOTE 3: INVENTORIES

Food Service Fund inventory as of June 30, 2018 of \$10,610 consisted of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt. Unused commodity inventory is reported as a deferred inflow at year end.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2018 are shown below:

	<u>Balance July 1 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30 2018</u>
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 392,261	\$ -	\$ -	\$ 392,261
Construction in Progress	74,363	-	74,363	-
Total Capital Assets Not Being Depreciated	<u>466,624</u>	<u>-</u>	<u>74,363</u>	<u>392,261</u>
Capital Assets Being Depreciated:				
Land Improvements	1,214,842	507,605	-	1,722,447
Buildings and Improvements	15,907,352	-	-	15,907,352
Transportation Equipment	1,624,053	-	-	1,624,053
Food Service Equipment	39,428	16,551	-	55,979
Other Equipment	358,830	11,765	-	370,595
Total Capital Assets Being Depreciated	<u>19,144,505</u>	<u>535,921</u>	<u>-</u>	<u>19,680,426</u>
Less: Accumulated Depreciation				
Land and Improvements	(666,009)	(53,824)	-	(719,834)
Buildings and Improvements	(8,184,445)	(367,148)	-	(8,551,593)
Transportation Equipment	(679,643)	(72,810)	-	(752,453)
Food Service Equipment	(14,857)	(2,737)	-	(17,594)
Other Equipment	(205,203)	(23,409)	-	(228,612)
Total Accumulated Depreciation	<u>(9,750,157)</u>	<u>(519,928)</u>	<u>-</u>	<u>(10,270,085)</u>
Net Governmental Capital Assets	<u>\$ 9,860,972</u>	<u>\$ 15,993</u>	<u>\$ 74,363</u>	<u>\$ 9,802,602</u>

Depreciation has been allocated to the District's operating functions as follows:

Instruction	\$ 267,064
Supporting Services	252,864
Depreciation Allocation	<u>\$ 519,928</u>

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are \$877,550. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General, Food Service.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 6: LONG-TERM DEBT

Changes in long-term debt and the current portion of each obligation are as follows:

	Balance As Restated			Balance	Current	Interest
	July 1	Advances	Payments	June 30	Portion	Expense
	2017			2018		
Series 2011 General Obligation Bonds	\$ 1,944,717	\$ -	\$ 96,269	\$ 1,848,448	\$ 100,234	\$ 78,111
PERA Net Pension Liability	36,172,220	1,223,366	-	37,395,586	-	-
OPEB Net Liability	901,163	-	47,213	853,950	-	-
Copier Capital Lease	-	11,765	347	11,418	2,664	97
Accrued Compensated Absences	-	118,875	-	118,875	-	-
Totals	\$39,018,100	\$ 1,354,006	\$ 143,829	\$ 40,228,277	\$ 102,898	\$ 78,208

General Obligation Bonds Payable

On December 11, 2011 the District issued \$2,373,694 of general obligation bonds used to help construct a middle school, pre-school, and administrative facility. The issuance bears an interest rate of 4.12 percent. Interest is payable semi-annually on June 1 and December 1 of each year. Principal is payable over a period of twenty years and is payable annually on December 1 of each year.

Principal and interest is payable on the outstanding obligations as follows:

Year Ending June 30:	Principal	Interest	Total
2019	\$ 100,234	\$ 74,064	\$ 174,298
2020	104,362	69,851	174,213
2021	108,660	65,464	174,124
2022	113,136	60,897	174,033
2023	117,795	56,142	173,937
2024-2028	665,868	202,232	868,100
2029-2032	638,393	53,910	692,303
Totals	\$ 1,848,448	\$ 582,560	\$ 2,431,008

Capital Leases

In May 2018, the District entered into a lease agreement for \$11,765 for two copiers. Monthly payments of \$222 are due through April 2023, at an estimated interest rate of 5.0%. The District has capitalized assets of \$10,589 related to this lease.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 6: LONG-TERM DEBT (Continued)

Capital Leases (Continued)

The future minimum capital lease payments at June 30, 2018, are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2019	\$ 2,664
2020	2,664
2021	2,664
2022	2,664
2023	<u>2,220</u>
Total minimum lease payments	12,877
Less amount representing interest at 5%	<u>(1,459)</u>
Present value of minimum lease payments	<u>\$ 11,418</u>

NOTE 7: JOINTLY GOVERNED ORGANIZATION

The District is a participant among four Districts in a jointly governed organization to operate the Pikes Peak Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. During the year ended June 30, 2018, the District paid \$90,066 in assessments to the BOCES. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 2883 South Circle Drive, Colorado Springs, CO 80906.

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of; damage to; destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Coverage

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

Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2018.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 8: RISK MANAGEMENT (Continued)

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members.

The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District's financial statements.

Workers Compensation

The District carries commercial insurance for worker's compensation coverage. Risk of loss transfers to the carrier.

NOTE 9: 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.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

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.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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.

Contribution provisions as of June 30, 2018. 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:

January 1 st through December 31 st	2014 ¹	2015 ¹	2016 ¹	2017 ¹
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%
Total employer contribution rate to the SCHDTF	16.43%	17.33%	18.13%	18.63%

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 \$993,833 for the plan year ended December 31, 2017 and \$910,838 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$37,395,586 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .11565%, which was an increase of .00584% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$8,302,492. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 695,635	\$ -
Changes of assumptions or other inputs	\$ 9,884,520	\$ (60,067)
Net difference between projected and actual earnings on pension plan	\$ 730,057	\$ (2,209,909)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 654,343	\$ (1,229,833)
Contributions subsequent to the measurement date	\$ 486,632	\$ -
Total	\$ 12,451,187	\$ (3,499,809)

\$486,632 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2019	\$ 6,113,497
2020	3,081,684
2021	(177,958)
2022	(552,477)
Total	\$ 8,464,746

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

A discount rate of 4.78 percent was used in the roll forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

- 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 3.5%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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 on 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 increase financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond 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 or after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78%.

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension asset (liability)	\$ (47,236,985)	\$ (37,395,586)	\$ (29,375,969)

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.

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2018, the District reported a liability of \$37,395,586 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$16,895,001

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$17,456,493 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 10: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2018 program members contributed \$19,962.

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. El Paso County School District # 22 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan

Plan Description.

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

Benefits Provided

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

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District, were \$54,412, for the year ended December 31, 2017 and \$50,100 for the fiscal year ended June 30, 2018.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

At June 30, 2018, the District reported a liability of \$853,950 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.06571%, which was an increase of 0.00380% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$58,959. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 4,039	\$ -
Net difference between projected and actual earnings on pension plan	\$ -	\$ (14,286)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (41,144)
Contributions subsequent to the measurement date	\$ 25,323	\$ -
Total	\$ 29,362	\$ (55,430)

\$25,323 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Year Ended June 30:	Fiscal Year Totals
2019	\$ (10,861)
2020	(10,862)
2021	(10,861)
2022	(10,861)
2023	(7,290)
2024	(656)
Total	\$ (51,391)

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

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

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

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

- Initial per capital health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely to actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB asset (liability)	\$ (830,455)	\$ (853,950)	\$ (882,249)

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 11: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (960,109)	\$ (853,950)	\$ (763,341)

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

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 12: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the District.

TABOR Amendment

In November 1992, Colorado voters passed Article X, Section 20, (the TABOR Amendment), to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment. On November 4, 1997, voters within the District authorized the District to collect, retain and expend all non-property tax revenues in the 1997-1998 fiscal year and in each fiscal year thereafter from all sources without regard to the limitations imposed by the Amendment. The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. The District has established an emergency reserve of \$285,000 as required by the Amendment.

NOTE 13: INTERFUND ACTIVITY

The General and Capital Reserve Project Funds transferred to the Designated Grants Fund to provide local matches for current grant programs. A summary of these transfers is as follows:

	<u>Transfers In (Out)</u>
<u>General Fund</u>	
Transfer to Food Service	\$ (65,416)
Transfer to Capital Reserve	(308,611)
Transfer to Pupil Activity Agency Fund	-
<u>Food Service Fund</u>	
Transfer from General Fund	65,416
<u>Capital Reserve Projects Fund</u>	
Transfer from General Fund	308,611
Net Transfers	<u><u>\$ -</u></u>

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 13: INTERFUND ACTIVITY (Continued)

The District has amounts owed between funds as of the end of the fiscal year. The majority of these balances are comprised of additional operating fund requirements for the District's grants and a Capital Reserve match of a food service equipment grant. A summary of the interfund balances is as follows:

	Interfund	
	Receivable	Payable
General Fund	\$ 550	\$ 166,500
Bond Redemption Fund	-	83,077
Capital Reserve Fund	251,210	2,183
Balance	<u>\$ 251,760</u>	<u>\$ 251,760</u>

NOTE 14: BEST GRANT/FACILITY IMPROVEMENTS

The District received a BEST grant through the Colorado Department of Education for facility improvements that commenced during fiscal year 2013 with the District providing an upfront match payment held in escrow of \$2,373,694. The State funded their portion of this program, \$15,885,491, through Certificate of Participation issuances. The State will coordinate the payment to the contractors with no funding flowing through the District other than for reimbursable costs that the District incurred. The District will not receive clear title to the improvements until the State has repaid the certificates. At that point, the District will record a capital asset and related accumulated depreciation for the cost of the BEST improvements, along with offsetting reduction of the outstanding long-term grant receivable.

The improvements completed by the BEST grant totaled \$17,696,456 with the building placed in service September 15, 2014. The building has a depreciated value of \$16,280,740 as of June 30, 2018. The amortized value of the State's contribution as of June 30, 2017 was \$14,164,245, represented as a noncurrent BEST grant receivable. As part of the BEST grant agreement, the District agreed to fund a capital replacement reserve in the amount of \$100 per funded pupil in the facilities impacted by the grant based on the annual October student count, beginning with the June 30, 2017 fiscal year. As of June 30, 2018, this reserve, for \$82,950, was restricted in the Capital Reserve Project Fund.

NOTE 15: PRIOR PERIOD RESTATEMENT

For the fiscal year, the District adopted GASB Statement Number 68 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement places a long-term obligation, as well as related deferred outflows and inflows, on the Statement of Net Position related to future postemployment benefit obligations. The District has restated the beginning net position for the governmental activities for those balances that were applicable as of June 30, 2017. This restatement resulted in a net decrease in governmental activity net position of \$871,159.

EL PASO COUNTY SCHOOL DISTRICT #22

NOTES TO FINANCIAL STATEMENTS

Year Ended June 30, 2018

NOTE 16: DEFICIT NET POSITION

The Governmental Activities has an overall net position deficit of \$4,032,738 and an unrestricted net position deficit of \$13,313,968 primarily due to the PERA net pension liability of \$37,395,586 as further described in Note 9 and net OPEB liability of \$853,950 as further described in Note 11. As the District has no control over pension benefits or contribution rates, the District expects this deficit net position to continue for the foreseeable future.

The Food Service Fund has a deficit unassigned balance of \$10,610 equal to the amount of the nonspendable inventory equity in the fund. This deficit is expected to be recovered through future operations or additional General Fund transfers if needed.

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PENSION and OPEB SCHEDULES
(Required Supplementary Information – Unaudited)

EL PASO COUNTY SCHOOL DISTRICT #22

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years⁽¹⁾**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
District's proportion of the net pension asset (liability)	0.115645%	0.121490%	0.114639%
District's proportionate share of the net pension asset (liability)	\$ (37,395,586)	\$ (36,172,220)	\$ (17,533,160)
District's covered-employee payroll	\$ 5,334,582	\$ 5,393,186	\$ 4,995,923
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	701.00%	670.70%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
0.105808%	0.098820%
\$ (14,340,495)	\$ (12,604,416)
\$ 4,432,583	\$ 3,983,734
323.52%	316.40%
62.84%	64.07%

EL PASO COUNTY SCHOOL DISTRICT #22

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERA Pension Plan

Last 10 Fiscal Years⁽¹⁾

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Contractually required contributions	\$ 993,833	\$ 977,785	\$ 865,793
Actual contributions	<u>\$ (993,833)</u>	<u>\$ (977,785)</u>	<u>\$ (865,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,334,582	\$ 5,393,186	\$ 4,995,923
Contributions as a percentage of covered-employee payroll	18.63%	18.13%	17.33%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
\$ 728,273	\$ 618,674
<u>(728,273)</u>	<u>(618,674)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 4,432,583	\$ 3,983,734
16.43%	15.53%

EL PASO COUNTY SCHOOL DISTRICT #22

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE
NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years⁽¹⁾**

	<u>06/30/18</u>	<u>06/30/17</u>
District's proportion of the net pension asset (liability)	0.065709%	0.069506%
District's proportionate share of the net pension asset (liability)	\$ (853,950)	\$ (901,163)
District's covered-employee payroll	\$ 5,334,540	\$ 5,452,647
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	16.01%	16.53%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

EL PASO COUNTY SCHOOL DISTRICT #22

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERA Health Care Trust Fund

Last 10 Fiscal Years⁽¹⁾

	<u>06/30/18</u>	<u>06/30/17</u>
Contractually required contributions	\$ 54,412	\$ 55,617
Actual contributions	<u>(54,412)</u>	<u>(55,617)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 5,334,540	\$ 5,452,647
Contributions as a percentage of covered employee payroll	1.02%	1.02%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

⁽¹⁾ - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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Required Supplementary Information

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original	Final		Variance	2017
	Budget	Budget	Actual	with Final Budget	Actual
REVENUES					
Local Sources					
Property Taxes	\$ 778,600	\$ 778,600	\$ 837,856	\$ 59,256	\$ 814,448
Specific Ownership Taxes	91,278	91,278	107,079	15,801	99,658
Delinquent Taxes	4,500	4,500	(1,961)	(6,461)	2,466
Investment Earnings	10,000	10,000	33,876	23,876	23,261
Rent Revenue	-	-	11,055	11,055	11,055
Donations	-	-	1,731	1,731	12,916
Sale of Fixed Assets	-	-	4,510	4,510	-
Instructional Materials Fees	3,200	3,200	11,802	8,602	13,841
Local BOCES Passthrough	-	-	46,018	46,018	145,864
Insurance Proceeds	-	-	1,535	1,535	-
Other Local	30,000	30,000	95,926	65,926	167,942
Total Local Sources	<u>917,578</u>	<u>917,578</u>	<u>1,149,427</u>	<u>231,849</u>	<u>1,291,451</u>
Intermediate Sources					
Mineral Leases	75	75	57	(18)	52
Impact Fee Revenue	-	-	182	182	74
Total Intermediate Sources	<u>75</u>	<u>75</u>	<u>239</u>	<u>164</u>	<u>126</u>
State Sources					
State Equalization	6,866,842	6,866,842	6,936,914	70,072	6,795,679
Transportation	144,600	144,600	212,401	67,801	146,870
State Grants from CDE					
State ELPA	40,119	40,119	53,795	13,676	44,792
State Gifted and Talented	16,497	16,497	-	(16,497)	-
READ Act Grant	40,000	40,000	30,931	(9,069)	-
School Counselor Grant	80,000	80,000	113,316	33,316	73,726
AP Incentive Pay	4,500	4,500	7,000	2,500	10,500
Library Grant	4,000	4,000	4,000	-	4,000
Small Rural Schools Grant	353,920	353,920	352,970	(950)	259,697
Additional At Risk Funding	-	-	7,621	7,621	7,777
State Grants from Other Agencies					
State Vocational Education	50,000	50,000	18,308	(31,692)	59,923
State Grants Provided through BOCES	-	-	6,615	6,615	6,460
Total State Sources	<u>7,600,478</u>	<u>7,600,478</u>	<u>7,743,871</u>	<u>143,393</u>	<u>7,409,424</u>
Federal Sources					
Federal Grants from CDE					
NCLB Title I, Part A - Improving Basic Programs	140,000	140,000	144,638	4,638	-
NCLB Title III, Part A - English Language Acquisition	7,000	7,000	-	(7,000)	-
NCLB Title II, Part A - Teacher & Principal Training	29,000	29,000	27,459	(1,541)	-
ESSA - Title IV-A Student Support and Academic Enrichment Grants	-	-	10,000	10,000	-
Race to the Top - Early Childhood Readiness	1,000	1,000	-	(1,000)	-
Medicaid Reimbursement	1,000	1,000	-	(1,000)	-
NCLB Title VIII - Impact Aid	270,000	270,000	470,433	200,433	-
Federal Provided through BOCES	-	-	8,000	8,000	-
Total Federal Sources	<u>448,000</u>	<u>448,000</u>	<u>660,530</u>	<u>212,530</u>	<u>-</u>
TOTAL REVENUES	<u>8,966,131</u>	<u>8,966,131</u>	<u>9,554,067</u>	<u>587,936</u>	<u>8,701,001</u>

(Continued)

See the accompanying Independent Auditors' Report

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				2017 Actual
	Original Budget	Final Budget	Actual	Variance with Final Budget	
(Continued)					
EXPENDITURES					
Instruction					
Salaries	3,520,680	3,520,680	3,430,393	90,287	3,758,514
Benefits	1,365,132	1,365,132	1,030,351	334,781	1,162,524
PS - Professional	55,500	55,500	39,572	15,928	18,016
PS - Property	22,500	22,500	1,019	21,481	3,402
PS - Other	220,500	220,500	472,803	(252,303)	331,651
Supplies	173,800	173,800	128,677	45,123	210,344
Property	28,000	28,000	43	27,957	21,293
Other Expenses	7,000	7,000	9,465	(2,465)	(603,000)
Total Instruction	<u>5,393,112</u>	<u>5,393,112</u>	<u>5,112,323</u>	<u>280,789</u>	<u>4,902,744</u>
Supporting Services					
Pupil Support					
Salaries	100,300	100,300	113,330	(13,030)	103,914
Benefits	46,698	46,698	40,356	6,342	36,019
PS - Professional	500	500	7,686	(7,186)	318
PS - Other	48,480	48,480	59,752	(11,272)	41,517
Supplies	5,885	5,885	8,488	(2,603)	4,025
Other Expenses	1,000	1,000	-	1,000	-
Total Pupil Support	<u>202,863</u>	<u>202,863</u>	<u>229,612</u>	<u>(26,749)</u>	<u>185,793</u>
Staff Support					
Salaries	109,844	109,844	114,770	(4,926)	104,282
Benefits	48,700	48,700	43,602	5,098	46,109
PS - Professional	3,500	3,500	4,174	(674)	6,357
PS - Property	600	600	-	600	1,149
PS - Other	1,500	1,500	590	910	2,230
Supplies	25,500	25,500	21,163	4,337	32,092
Property	-	-	130	(130)	-
Other Expenses	-	-	-	-	-
Total Staff Support	<u>189,644</u>	<u>189,644</u>	<u>184,429</u>	<u>5,215</u>	<u>192,219</u>
General Administration					
Salaries	224,432	224,432	255,443	(31,011)	144,451
Benefits	68,925	68,925	48,213	20,712	44,838
PS - Professional	28,400	28,400	16,469	11,931	22,405
PS - Other	10,000	10,000	6,658	3,342	11,881
Supplies	5,700	5,700	8,249	(2,549)	9,415
Other Expenses	3,300	3,300	11,017	(7,717)	4,434
Total General Administration	<u>340,757</u>	<u>340,757</u>	<u>346,049</u>	<u>(5,292)</u>	<u>237,424</u>
School Administration					
Salaries	521,358	521,358	541,885	(20,527)	654,677
Benefits	180,746	180,746	151,132	29,614	176,600
PS - Other	6,000	6,000	1,095	4,905	6,826
Supplies	8,900	8,900	8,034	866	14,135
Total School Administration	<u>717,004</u>	<u>717,004</u>	<u>702,146</u>	<u>14,858</u>	<u>852,238</u>

(Continued)

See the accompanying Independent Auditors' Report

EL PASO COUNTY SCHOOL DISTRICT #22
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 General Fund
 For the Year Ended June 30, 2018
 (With Comparative Totals for the Year Ended June 30, 2017)

	2018		Actual	Variance with Final Budget	2017 Actual
	Original Budget	Final Budget			
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	179,387	179,387	187,255	(7,868)	151,020
Benefits	61,703	61,703	61,396	307	46,770
PS - Professional	3,000	3,000	3,507	(507)	3,702
PS - Property	1,500	1,500	-	1,500	-
PS - Other	193,496	193,496	163,702	29,794	58,075
Supplies	20,000	20,000	18,341	1,659	34,365
Property	4,000	4,000	-	4,000	-
Other Expenses	1,000	1,000	966	34	1,117
Total Business Services	<u>464,086</u>	<u>464,086</u>	<u>435,167</u>	<u>28,919</u>	<u>295,049</u>
Operations and Maintenance					
Salaries	91,422	91,422	99,582	(8,160)	92,394
Benefits	32,119	32,119	36,009	(3,890)	37,096
PS - Professional	15,000	15,000	13,527	1,473	8,832
PS - Property	365,000	365,000	356,328	8,672	389,905
PS - Other	43,000	43,000	44,873	(1,873)	41,946
Supplies	220,000	220,000	307,775	(87,775)	286,362
Property	20,000	20,000	-	20,000	13,119
Total Operations and Maintenance	<u>786,541</u>	<u>786,541</u>	<u>858,094</u>	<u>(71,553)</u>	<u>869,654</u>
Transportation					
Salaries	517,535	517,535	441,169	76,366	379,286
Benefits	150,288	150,288	114,199	36,089	96,680
PS - Professional	3,000	3,000	1,863	1,137	1,923
PS - Property	30,000	30,000	27,057	2,943	29,340
PS - Other	500	500	4,248	(3,748)	28,545
Supplies	175,500	175,500	148,238	27,262	147,802
Property	75,000	75,000	-	75,000	318,920
Total Transportation	<u>951,823</u>	<u>951,823</u>	<u>736,774</u>	<u>215,049</u>	<u>1,002,496</u>
Other Central Support					
Salaries	103,168	103,168	125,997	(22,829)	132,603
Benefits	34,627	34,627	34,362	265	45,263
PS - Professional	50,000	50,000	67,161	(17,161)	75,880
PS - Property	10,000	10,000	16,642	(6,642)	9,285
PS - Other	-	-	-	-	91,727
Supplies	5,300	5,300	7,852	(2,552)	19,963
Property	58,000	58,000	125,097	(67,097)	76,884
Total Other Central Support	<u>261,095</u>	<u>261,095</u>	<u>377,111</u>	<u>(116,016)</u>	<u>451,605</u>
Risk Management					
PS - Other	800	800	4,535	(3,735)	18,300
Total Supporting Services	<u>3,914,613</u>	<u>3,914,613</u>	<u>3,873,917</u>	<u>40,696</u>	<u>4,104,778</u>
Other Uses					
Up-Front Grant Match	-	-	6,615	(6,615)	6,725
TOTAL EXPENDITURES	<u>9,307,725</u>	<u>9,307,725</u>	<u>8,992,855</u>	<u>314,870</u>	<u>9,014,247</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	(341,594)	(341,594)	561,212	902,806	(313,246)
OTHER FINANCING SOURCES (USES)					
Transfers	-	-	(374,027)	(374,027)	(76,282)
Capital Lease Proceeds	-	-	11,765	11,765	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	<u>(362,262)</u>	<u>(362,262)</u>	<u>(76,282)</u>
CHANGE IN FUND BALANCE	(341,594)	(341,594)	198,950	540,544	(389,528)
BEGINNING FUND BALANCE	341,594	341,594	1,780,324	1,438,730	2,169,852
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,979,274</u>	<u>\$ 1,979,274</u>	<u>\$ 1,780,324</u>

See accompanying Independent Auditors' Report.

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Food Service Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017	
	Original/Final Budget	Actual		Budget	Actual
REVENUES					
Local Sources					
Food Service Revenue	\$ 155,000	\$ 124,137	\$ (30,863)	\$ 98,785	
Other Local	-	2,849	2,849	1,670	
Total Local Sources	<u>155,000</u>	<u>126,986</u>	<u>(28,014)</u>	<u>100,455</u>	
State Sources					
State Grants from CDE					
State Match - Child Nutrition	4,000	4,390	390	4,380	
Smart Start Nutrition	2,500	2,202	(298)	2,446	
State K-2 Reduced Lunch	3,500	3,456	(44)	3,716	
Additional At Risk Funding	9,000	-	(9,000)	-	
Total State Sources	<u>19,000</u>	<u>10,048</u>	<u>(8,952)</u>	<u>10,542</u>	
Federal Sources					
Federal Grants from CDE					
School Breakfast Program	59,000	68,090	9,090	76,455	
Special Milk Program	4,000	1,073	(2,927)	949	
National School Lunch Program	175,000	262,475	87,475	267,428	
Summer Food Service Program	7,000	10,133	3,133	19,159	
National School Lunch Equipment Assistance	-	7,500	7,500	-	
Federal Grants from Other State Agencies					
Commodities	-	34,592	34,592	33,343	
Total Federal Sources	<u>245,000</u>	<u>383,863</u>	<u>138,863</u>	<u>397,334</u>	
TOTAL REVENUES	<u>419,000</u>	<u>520,897</u>	<u>101,897</u>	<u>508,331</u>	
EXPENDITURES					
Food Service					
Salaries	199,398	153,932	45,466	156,722	
Benefits	62,535	64,156	(1,621)	68,859	
PS - Professional	4,500	3,654	846	3,454	
PS - Property	3,000	20,182	(17,182)	2,175	
PS - Other	12,000	11,000	1,000	8,438	
Supplies	5,000	14,500	(9,500)	329	
Food	237,000	245,423	(8,423)	284,138	
Commodities	500	34,592	(34,092)	33,343	
Property	4,500	-	4,500	-	
TOTAL EXPENDITURES	<u>528,433</u>	<u>547,439</u>	<u>(19,006)</u>	<u>557,458</u>	
OTHER FINANCING SOURCES (USES)					
Transfers	-	65,416	65,416	-	
CHANGE IN FUND BALANCE	<u>(109,433)</u>	<u>38,874</u>	<u>148,307</u>	<u>(49,127)</u>	
BEGINNING FUND BALANCE	<u>109,433</u>	<u>(38,874)</u>	<u>(148,307)</u>	<u>10,253</u>	
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,874)</u>	

See accompanying Independent Auditors' Report.

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Other Supplementary Information

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Special Revenue Funds

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Designated Grants Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017
	Final Budget	Actual		Actual
REVENUES				
State Sources				
State Grants from CDE				
READ Act Grant	\$ -	\$ -	\$ -	\$ 48,283
Federal Sources				
Federal Grants from CDE				
NCLB Title I, Part A - Improving Basic Programs	-	-	-	150,452
NCLB Title II, Part A - Teacher & Principal Training	-	-	-	30,580
Race to the Top - Early Childhood Readiness	-	-	-	806
Federal Grants from Other State Agencies				
Carl Perkins Vocational Education	-	-	-	32,705
Direct Federal Revenue				
NCLB Title VIII - Impact Aid	-	-	-	429,611
Federal Provided through BOCES	-	-	-	8,534
Total Federal Sources	-	-	-	652,688
TOTAL REVENUES	-	-	-	700,971
EXPENDITURES				
Instruction				
Salaries	-	-	-	50,113
Benefits	-	-	-	6,704
Supplies	-	-	-	32,705
Other Expenses	-	-	-	611,449
TOTAL EXPENDITURES	-	-	-	700,971
CHANGE IN FUND BALANCE	-	-	-	-
BEGINNING FUND BALANCE	-	-	-	-
ENDING FUND BALANCE	\$ -	\$ -	\$ -	\$ -

See accompanying Independent Auditors' Report.

Debt Service Fund

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Bond Redemption Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017 Actual
	Final Budget	Actual	Variance with Final Budget	
REVENUES				
Local Sources				
Property Taxes	\$ 214,426	\$ 309,830	\$ 95,404	\$ 296,765
Delinquent Taxes	1,000	455	(545)	916
Investment Earnings	1,500	9,749	8,249	4,088
TOTAL REVENUES	<u>216,926</u>	<u>320,034</u>	<u>103,108</u>	<u>301,769</u>
EXPENDITURES				
Debt Service				
Principal	136,316	96,269	40,047	92,461
Interest	78,110	78,386	(276)	82,272
TOTAL EXPENDITURES	<u>214,426</u>	<u>174,655</u>	<u>39,771</u>	<u>174,733</u>
CHANGE IN FUND BALANCE	2,500	145,379	142,879	127,036
BEGINNING FUND BALANCE	(2,500)	604,106	606,606	477,070
ENDING FUND BALANCE	\$ -	\$ 749,485	\$ 749,485	\$ 604,106

See accompanying Independent Auditors' Report.

Capital Projects Fund

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Capital Reserve Project Fund
For the Year Ended June 30, 2018

	2018			
	Original and		Variance	2017
	Final	Actual	with Final	Actual
	Budget		Budget	
REVENUES				
Local Sources				
Specific Ownership Taxes	\$ 40,000	\$ 39,615	\$ (385)	\$ 36,879
Investment Earnings	-	404	404	750
Rent Revenue	62,400	57,530	(4,870)	-
Total Local Sources	<u>102,400</u>	<u>97,549</u>	<u>(4,851)</u>	<u>37,629</u>
State Sources				
State Equalization	343,913	343,913	-	-
State Grants from CDE				
Best Capital Construction Program	-	-	-	73,848
TOTAL REVENUES	<u>446,313</u>	<u>441,462</u>	<u>(4,851)</u>	<u>111,477</u>
EXPENDITURES				
Facilities/Capital Outlay				
PS - Professional	1,000	30	970	10
Land and Improvements	345,913	430,223	(84,310)	71,474
Equipment	15,000	-	15,000	5,009
Non-Capitalized Equipment	33,000	6,302	26,698	63,333
TOTAL EXPENDITURES	<u>394,913</u>	<u>436,555</u>	<u>(41,642)</u>	<u>139,826</u>
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	51,400	4,907	(46,493)	(28,349)
OTHER FINANCING SOURCES (USES)				
Transfers	-	308,611	308,611	76,282
CHANGE IN FUND BALANCE	51,400	313,518	262,118	47,933
BEGINNING FUND BALANCE	(51,400)	267,465	318,865	219,532
ENDING FUND BALANCE	\$ -	\$ 580,983	\$ 580,983	\$ 267,465

See accompanying Independent Auditors' Report.

FIDUCIARY FUND TYPE

Trust and Agency Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private and student groups.

The District has established an agency fund to account for various student activity groups and contributions from private organizations. The agency fund is custodial in nature and does not involve measurement of results of operations.

EL PASO COUNTY SCHOOL DISTRICT #22
Schedule of Revenues, Expenses and Changes in Fiduciary Net Position
Budget and Actual
Fiduciary Funds
Pupil Activity Agency Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017
	Final Budget	Actual		Actual
ADDITIONS				
Local Sources	\$ 145,000	\$ 119,020	\$ (25,980)	\$ 122,383
DEDUCTIONS				
Instruction	145,000	117,534	27,466	80,016
CHANGE IN NET POSITION	-	1,486	1,486	42,367
BEGINNING NET POSITION	-	117,029	117,029	74,662
ENDING NET POSITION	<u>\$ -</u>	<u>\$ 118,515</u>	<u>\$ 118,515</u>	<u>\$ 117,029</u>

See accompanying Independent Auditors' Report.

State Compliance



Colorado Department of Education
Auditors Integrity Report
 District: 1050 - ELLICOTT 22
 Fiscal Year 2017-18
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
	+		-	=
Governmental				
10 General Fund	1,678,771	8,853,949	8,649,505	1,883,216
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	101,552	337,856	343,349	96,059
Sub- Total	1,780,324	9,191,805	8,992,854	1,979,274
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	-38,874	586,313	547,440	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	604,106	320,034	174,655	749,485
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	267,465	750,073	436,555	580,983
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	2,613,020	10,848,225	10,151,503	3,309,743
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	117,029	119,019	117,534	118,514
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	117,029	119,019	117,534	118,514

FINAL



Colorado Department of Education

Bolded Balance Sheet Report

District: 1050 - ELLICOTT 22

Fiscal Year 2017-18

Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,857,989	0	141,942	0	0	22,444	809,302	356,506	0	0	0	118,514	0	4,306,697	
Cash with Fiscal Agent (8105)	11,491	0	0	0	0	0	4,189	0	0	0	0	0	0	15,680	
Taxes Receivable (8121,8122)	51,513	0	0	0	0	0	19,071	0	0	0	0	0	0	70,584	
Interfund Loans Receivable (8131,8132)	550	0	0	0	0	0	0	251,210	0	0	0	0	0	251,760	
Grants Accounts Receivable (8142)	88,914	0	0	0	0	4,436	0	0	0	0	0	0	0	93,350	
Other Receivables (8151-8154,8161)	4,912	0	0	0	0	6,957	0	0	0	0	0	0	0	11,869	
Inventories (8171,8172,8173)	0	0	0	0	0	10,610	0	0	0	0	0	0	0	10,610	
Prepaid Expenses 8181,8182)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Total Assets	3,015,369	0	141,942	0	0	44,447	832,562	607,715	0	0	0	118,514	0	4,760,550	

Governmental

Proprietary

Fiduciary

	Governmental										Proprietary				Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
LIABILITIES & FUND EQUITY																
LIABILITIES																
Interfund Payables (7401,7402)	166,500	0	0	0	0	0	83,077	2,183	0	0	0	0	0	0	251,760	
Other Payables (7421-7423)	140,886	0	0	0	0	3,255	0	24,549	0	0	0	0	0	0	168,689	
Accrued Expenses (7461)	810,509	0	45,883	0	0	21,158	0	0	0	0	0	0	0	0	877,550	
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Deferred Inflow (7800)	0	0	0	0	0	20,035	0	0	0	0	0	0	0	0	20,035	
Deferred Inflow Grants (7801)	14,259	0	0	0	0	0	0	0	0	0	0	0	0	0	14,259	
Total Liabilities	1,132,154	0	45,883	0	0	44,447	83,077	26,732	0	0	0	0	0	0	1,332,293	

Governmental

Proprietary

Fiduciary

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	10,610	0	0	0	0	0	0	0	0	10,610
Restricted Fund Balance 6720	0	0	0	0	0	0	749,485	0	0	0	0	0	0	0	749,485
TABOR 3% Emergency Reserve 6721	285,000	0	0	0	0	0	0	0	0	0	0	0	0	0	285,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	96,059	0	0	0	0	0	0	0	0	0	0	0	96,059
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	82,950	0	0	0	0	0	0	82,950
Committed Fund Balance 6750	0	0	0	0	0	0	0	498,033	0	0	0	0	0	0	498,033
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,598,216	0	0	0	0	-10,610	0	0	0	0	0	0	118,514	0	1,706,120
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Fund Equity	1,883,216	0	96,059	0	0	0	749,485	580,983	0	0	0	0	118,514	0	3,428,257

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	3,015,369	0	141,942	0	0	44,447	832,562	607,715	0	0	0	0	118,514	0	4,760,550
Do Assets=Liability+Fund Equity	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes