

**ELBERT COUNTY SCHOOL DISTRICT C-2**  
Kiowa, Colorado

Financial Statements  
For The Year Ended June 30, 2018

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
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# WINFREY, COUNTY & HAYS, PC

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### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of and for the year ended June 30, 2018, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other post-employment benefit information on pages a-i and 29-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the management discussion & analysis we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Winfrey, County & Hays, PC*

Winfrey, County & Hays, PC  
November 26, 2018

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018

This discussion and analysis provides an overview of the Elbert County School District C-2 financial performance for the fiscal year ending June 30, 2018. The focus of the information is on the primary government general fund.

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

**Financial Highlights**

- For the current year ended June 30, 2018, the net position of the District is \$(3,261,672), a decrease of \$1,637,969. Please note that the net position also includes PERA's unfunded liabilities and the post-employment health care trust fund liabilities over which the District has no control of.
- As of the close of the 2017-18 fiscal year, the District's governmental funds reported combined ending fund balances of \$2,219,460. This represents a decrease of \$53,193 from the previous year.
- The District had adequate funds available for all appropriations.

**Overview of Financial Statements**

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

**1. Government-Wide Financial Statements**

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

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

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

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

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

2. Fund Financial Statements

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

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

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

**Financial Analysis of the District as a Whole**

The District's total net position was negative \$3,261,672 at the close of business on June 30, 2018. Table 1 represents a detailed view of FY 17-18. Chart 1 shows a high level overview of net asset changes over time.

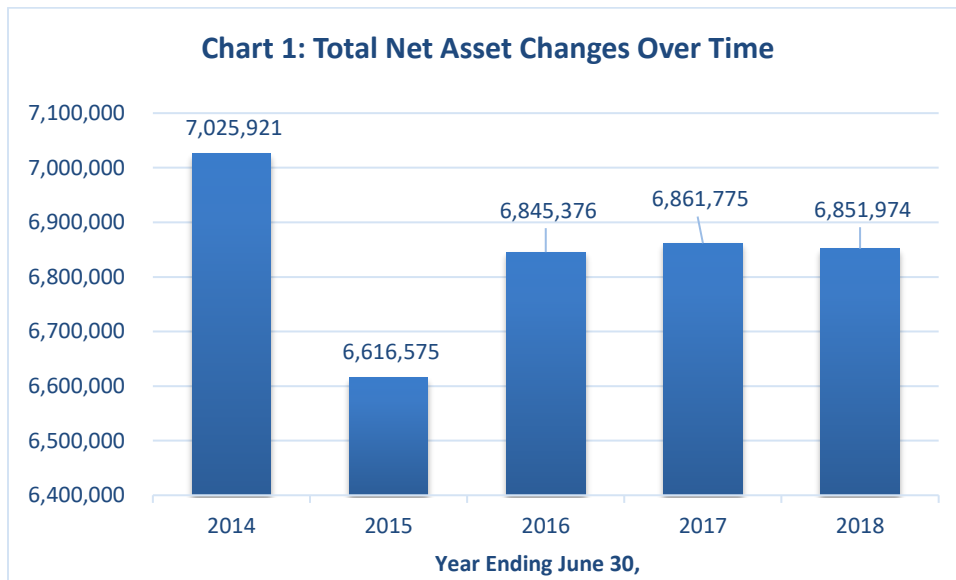
Table 1  
Fiscal Year Ended June 30, 2018  
Net Position

	Government Activities	
	<u>6/30/2018</u>	<u>6/30/2017</u>
Current and other assets	2,608,636	2,460,063
Capital assets	<u>4,243,338</u>	<u>4,401,712</u>
Total assets	6,851,974	6,861,775
Deferred Outflows	3,023,188	3,753,064
Current liabilities	389,177	293,797
Long term liabilities	<u>11,925,427</u>	<u>11,002,179</u>
Total liabilities	12,314,603	11,295,975
Deferred Inflows	822,230	708,912
Net Position		
Invested in capital assets	2,993,338	3,151,712
Restricted	450,321	95,928
Unrestricted	<u>(6,705,330)</u>	<u>(4,637,688)</u>
Total Net Position	<u>(3,261,672)</u>	<u>(1,390,049)</u>

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

Comparison of Net Position over Time

As noted earlier, net position serves as a useful indicator of the District's financial position over time. In the case of the Kiowa School District, liabilities exceeded assets by \$3,261,672.



Of the District's \$6,851,974 in total assets, \$2,993,338 reflects investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net position of \$(6,705,330) may be used to meet the District's ongoing financial obligations. Depreciation in capital assets and a QZAB loan contribute to the decrease in net position for the 2017-18 year.

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

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

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

Table 2  
Fiscal Year Ended June 30, 2018  
Change in Net Position

REVENUES	Government Activities	
	<u>6/30/2018</u>	<u>6/30/2017</u>
Program Revenues		
Charges for service	89,042	97,742
Operating grants	347,463	172,121
General Revenues		
Property taxes	743,945	610,438
Specific ownership taxes	128,503	106,291
State Equalization	2,126,898	2,281,995
Other	41,066	35,844
Gain (Loss) on assets	<u>(11,170)</u>	<u>0</u>
Total Revenues	3,465,746	3,304,430
 EXPENSES		
Instruction	2,794,404	2,550,659
Pupil services	120,336	113,486
Instructional services	119,527	54,032
General administration	305,055	190,468
School administration	559,637	483,925
Business	165,338	161,255
Operations & maintenance	518,974	485,967
Pupil transportation	164,750	121,020
Central services	108,073	102,370
Extracurricular activities	54,766	62,417
Interest & fiscal charges	3,473	3,605
Food Services	<u>189,353</u>	<u>179,222</u>
Total Expenses	<u>5,103,685</u>	<u>4,508,426</u>
Increase (decrease) in net position	<u>(1,637,939)</u>	<u>(1,203,996)</u>

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

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

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

Table 3  
Fiscal Year Ended June 30, 2018  
Government Activities

Functions/Programs	<u>Year Ended June 30, 2018</u>		<u>Year Ended June 30, 2017</u>	
	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>
Instruction	2,794,404	2,520,955	2,550,659	2,449,626
Pupil services	120,336	120,336	113,486	113,486
Instructional services	119,527	119,527	54,032	54,032
General administration	305,055	305,055	190,468	190,468
School administration	559,637	559,637	483,925	483,925
Business	165,338	165,338	161,255	161,255
Operations & maintenance	518,974	518,974	485,967	485,967
Pupil transportation	164,750	125,139	121,020	89,272
Central services	108,073	108,073	102,370	102,370
Extracurricular activities	54,766	19,785	62,417	14,178
Food Service	189,353	100,889	179,222	90,380
Interest & fiscal charges	<u>3,473</u>	<u>3,473</u>	<u>3,605</u>	<u>3,605</u>
Total Expenses	<u>5,103,685</u>	4,667,181	<u>4,508,426</u>	4,238,564
Less State Equalization		<u>2,126,898</u>		<u>2,281,995</u>
Total needs from local taxes and other revenue		<u>2,540,283</u>		<u>1,956,569</u>

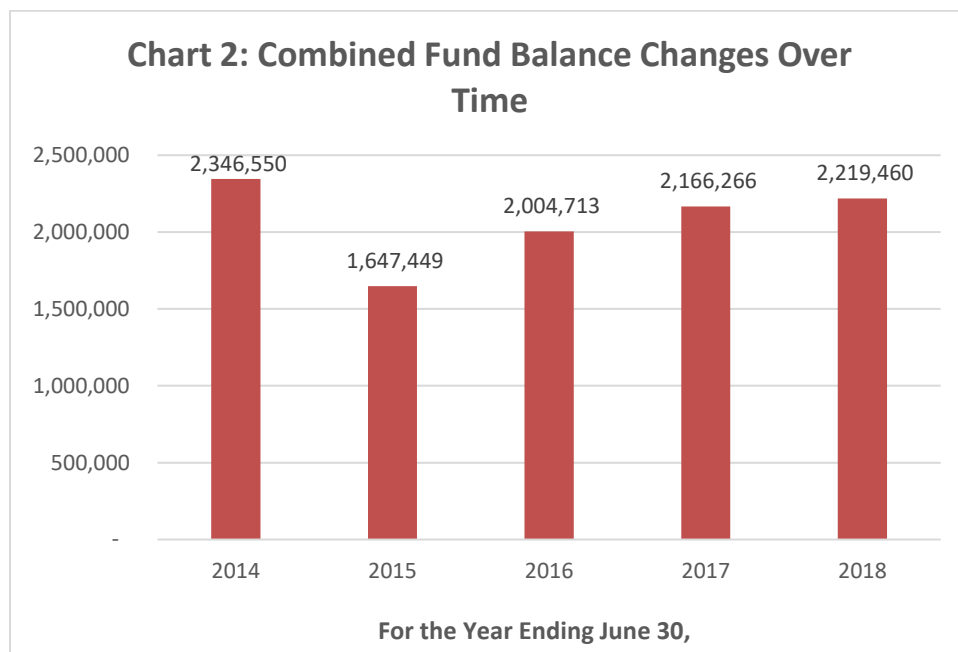
Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

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

The District Funds

On June 30, 2018, the District governmental funds reported a combined fund balance of \$2,219,460 which is an increase of \$53,194.

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



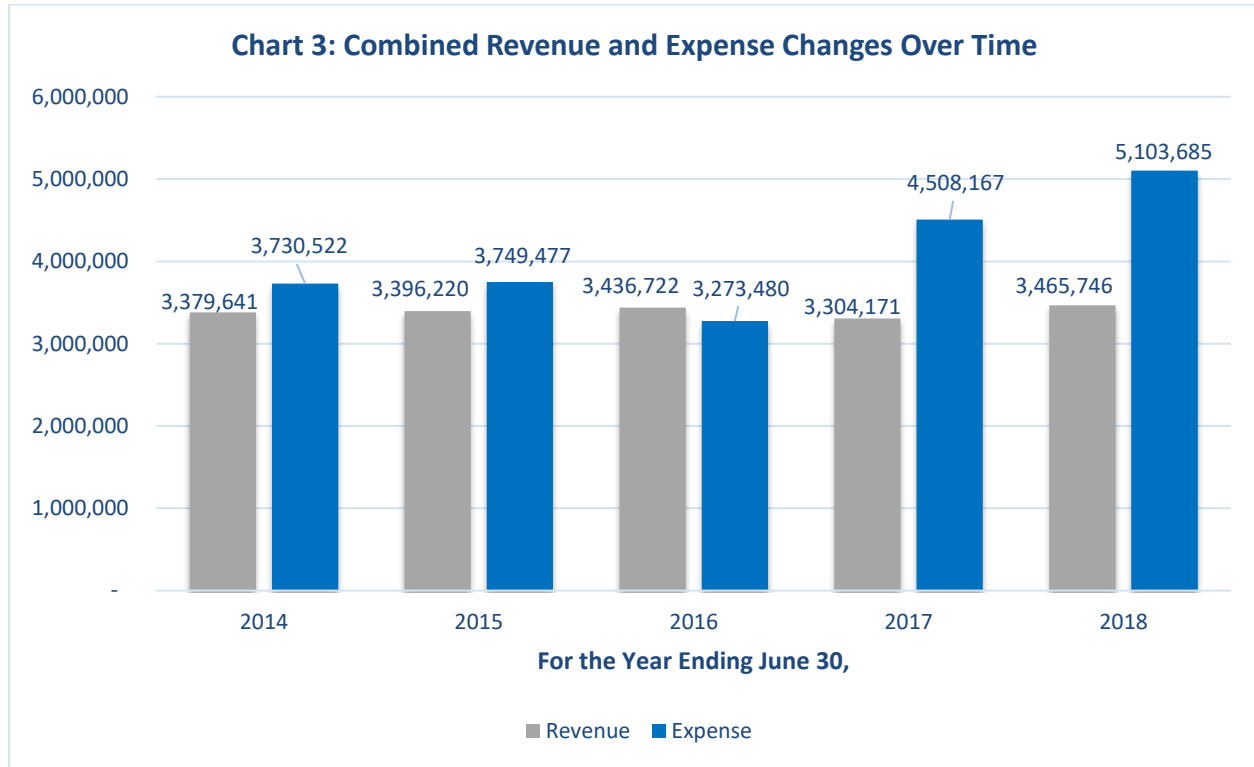
Financial Analysis of the District's Funds

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

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

Elbert County School District C-2  
 Management Discussion and Analysis  
 For Fiscal Year Ended June 30, 2018  
 (continued)

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

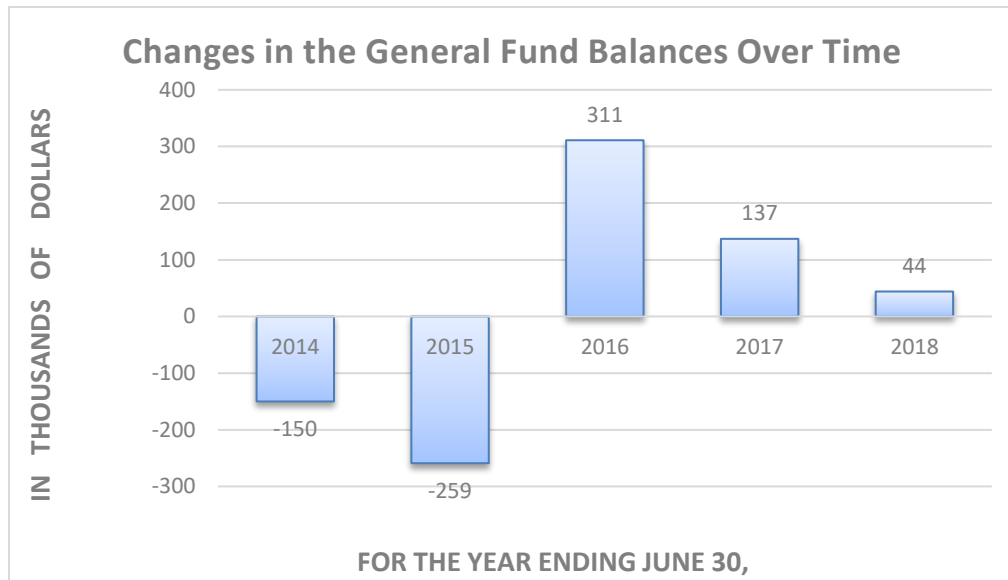


General Fund Budget

The Board of Education approved a regular budget in FY 19 to adequately appropriate expected expenditures based on careful review of anticipated revenues. Using historical spending patterns as a guide, the budget was crafted with a perceived flat to positive cash flow. The Board anticipates that cuts previously endured by State funding levels will not be fully replaced. Further, the Board of Education, with independent auditor approval, can allow the General Fund to go down to a balance of \$825,000, but only if necessary.

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

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)



Capital Assets and Debt Administration

Capital Assets

On June 30, 2018, the District realized a decrease of \$158,374 in capital assets. The decrease is a result depreciation expense exceeding purchases. The District’s capital assets are currently valued at \$4,243,338 (see page 14 of the audit) compared to last year when the capital assets were \$4,401,712.

	<u>June 30, 2018</u>	<u>June 30, 2017</u>
Site & Improvements	1,023,387	1,023,387
Building & Improvements	6,031,433	6,008,040
Equipment	544,936	548,794
Transportation	286,945	286,945
Total Capital Assets	<u>7,886,701</u>	<u>7,867,166</u>
Accumulated Depreciation	<u>(3,643,363)</u>	<u>(3,465,454)</u>
Net Capital Assets	<u><u>4,243,338</u></u>	<u><u>4,401,712</u></u>

The major capital acquisitions were the middle school HVAC system for \$45,164 and a walker mower for \$5,000.

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

More complete information is furnished on page 14 and 15.

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2018  
(continued)

Economic Factors and Next Year's Budget and Rates

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

- The continuing shortage of federal funds to support educational programs including a new governor, buying down the negative factor, special education mandated in federal law and the general uncertainty of federal funding for public schools in the present federal administration
- Generally declining enrollment
- The pervasiveness of the State's negative factor (now called Budget Stabilization by some) for funding schools. The negative factor reduces available district funds by approximately \$400,000 each year.

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

**History of Staffing Level Changes**

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

An additional 3 FTE were reduced for the 2012-13 school year for similar reasons as above. Areas reduced were a librarian, Title teacher because of Title instruction being delivered in the classroom, and a kindergarten teacher no longer needed due to class enrollment.

For the 2013-14 school year, a teacher who voluntarily resigned was not replaced. The District moved a teacher from the elementary, where class sizes were smaller to fill the vacated position. The District experienced a decline in enrollment of 90 students: 40 in 2013-14 and 50 in 2014-15.

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

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

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

For the 2018-19 year Kiowa Schools increased staff, adding additional programs including Home Economics, a Spanish instructor, additional elementary staff, a part-time auto shop teacher, a part-time para for a pre-school special needs student, and an academic coach. The school also reduced its special education staff by one teacher and one para.

Contacting the District for Financial Management Questions

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



## BASIC FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Net Position  
 June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	2,466,079
Accounts/grants receivable	108,728
Accrued Property Tax Receivable	25,945
Inventory	<u>7,884</u>
Total Current Assets	2,608,636
Capital assets, net of accumulated depreciation	<u>4,243,338</u>
Total Assets	6,851,974
DEFERRED OUTFLOWS	3,023,188
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	80,872
Accrued sick leave payable	38,510
Accrued salaries payable	256,226
Unearned revenue	<u>13,569</u>
Total Current Liabilities	389,177
Noncurrent Liabilities	
Due in more than one year	1,250,000
Net Health Care Trust Fund Liability	238,339
Net Pension Liability	<u>10,437,088</u>
Total Noncurrent liabilities	<u>11,925,427</u>
Total Liabilities	12,314,603
DEFERRED INFLOWS	822,230
<b>NET POSITION</b>	
Invested in capital assets	2,993,338
Restricted for TABOR Reserve	97,643
Restricted for Debt Service	352,678
Unrestricted	<u>(6,705,330)</u>
Total Net Position	<u>(3,261,672)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Activities  
 For the Year Ended June 30, 2018

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
Governmental Activities				
Instructional	2,794,404	9,719	263,730	
Support Services				
Pupil services	120,336			
Instructional services	119,527			
General administration	305,055			
School administration	559,637			
Business	165,338			
Operations & maintenance	518,974			
Pupil transportation	164,750		39,611	
Support services	108,073			
Extracurricular Activities	54,766	34,981		
Food Services	189,353	44,341	44,122	
Interest & fiscal charges	<u>3,473</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>5,103,685</u>	<u>89,042</u>	<u>347,463</u>	<u>0</u>

General revenues:

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

State Equalization

Miscellaneous

Investment earnings

Gain (Loss) on assets

Total General Revenues

Change in Net Position

Net Position - Beginning

Prior Year Adjustment-Note 2C

Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Position

Governmental  
Activities

(2,520,955)

(120,336)

(119,527)

(305,055)

(559,637)

(165,338)

(518,974)

(125,139)

(108,073)

(19,785)

(100,889)

(3,473)

(4,667,181)

743,945

128,503

2,126,898

13,383

27,684

(11,170)

3,029,242

(1,637,939)

(1,390,049)

(233,685)

(3,261,672)

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	2,287,842	178,237	2,466,079
Accounts/Grants receivable	108,393	335	108,728
Due From Other Funds	0	4,819	4,819
Accrued Property Tax Receivable	25,945	0	25,945
Inventory	<u>0</u>	<u>7,884</u>	<u>7,884</u>
Total Assets	<u>2,422,180</u>	<u>191,276</u>	<u>2,613,456</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	80,872	0	80,872
Accrued sick leave payable	31,450	7,060	38,510
Accrued salaries payable	246,688	9,538	256,226
Due To Other Funds	<u>0</u>	<u>4,819</u>	<u>4,819</u>
Total Liabilities	359,009	21,417	380,427
 Unearned Revenue	 12,000	 1,569	 13,569
 <b>Fund Balances</b>			
Restricted for TABOR Reserve	97,643	0	97,643
Restricted for Debt Services	352,678	0	352,678
Committed for Capital Projects	0	120,727	120,727
Nonspendable	0	7,884	7,884
Assigned	0	39,677	39,677
Unassigned	<u>1,600,850</u>	<u>0</u>	<u>1,600,850</u>
Total Fund Balances	<u>2,051,171</u>	<u>168,289</u>	<u>2,219,460</u>
 Total Liabilities and Fund Balances	 <u>2,422,180</u>	 <u>191,276</u>	 <u>2,613,456</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2018

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position

Total Governmental Fund Balances	2,219,460
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,243,338
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	3,023,188
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(11,925,427)
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	<u>(822,230)</u>
Net Position of Governmental Activities	<u>(3,261,672)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2018

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local Sources			
Property Taxes	743,945	0	743,945
Specific Ownership Taxes	128,503	0	128,503
Charges for Service	0	44,341	44,341
Investment Interest	26,970	714	27,684
Other	31,852	34,981	66,833
State Sources			
Equalization	2,126,898	0	2,126,898
Transportation	39,611	0	39,611
Other	207,600	1,273	208,873
Federal Sources	<u>47,380</u>	<u>42,849</u>	<u>90,229</u>
Total Revenues	3,352,758	124,159	3,476,917
<b>EXPENDITURES</b>			
Current			
Instruction	1,656,420	0	1,656,420
Supporting Services			
Students	81,120	0	81,120
Instructional staff services	148,035	0	148,035
General administration	150,097	0	150,097
School administration	330,081	0	330,081
Business	107,335	0	107,335
Operations & maintenance	384,289	0	384,289
Pupil Transportation	122,185	0	122,185
Support services	106,520	0	106,520
Other	0	81,386	81,386
Food Service	0	135,387	135,387
Debt Service	3,473	0	3,473
Capital Outlay	<u>30,291</u>	<u>87,104</u>	<u>117,395</u>
Total Expenditures	<u>3,119,847</u>	<u>303,877</u>	<u>3,423,724</u>
Revenues over (under) Expenditures	232,911	(179,718)	53,193
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(189,000)</u>	<u>189,000</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	43,911	9,282	53,193
Fund Balance - Beginning	<u>2,007,260</u>	<u>159,007</u>	<u>2,166,266</u>
Fund Balance - Ending	<u>2,051,171</u>	<u>168,289</u>	<u>2,219,460</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2018  
 (continued)

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

Net change in fund balances - total governmental funds		53,193
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>		
Capital outlays	49,164	
Depreciation expense	<u>(196,368)</u>	(147,204)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expenses	(1,530,552)	
Other post-employment benefit expenses	<u>(2,206)</u>	(1,532,758)
<p>Gain (loss) on disposal of assets is not recognized in governmental funds, but the sale of the assets is recorded as income.</p>		
Recognized gain (loss)		<u>(11,170)</u>
Change in net position of government activities		<u>(1,637,939)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Statement of Fiduciary Net Position  
Student Activity Agency Fund  
June 30, 2018

	Student Activity Fund
ASSETS	
Cash in bank	58,887
NET POSITION	
Held in trust for activities	<u>58,887</u>
NET POSITION	<u>0</u>

## Notes to Financial Statements

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2018

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

The District reports the following major governmental fund:

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

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

Budget Calendar -

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

The last date for final adoption of the budget and appropriation resolution is June 30. January 31 is last date to change adopted budget. By December 15, the Board of Education certifies to County Commissioners the mill levy against the assessed valuation for the general fund.

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

E. Encumbrances

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2018  
(continued)

F. Assets, Liabilities and Fund Balances/Net Position

1. Deposits

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

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

2. Receivables and Payables

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

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

3. Inventories

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

A physical inventory was taken as of June 30, 2018 for the Food Services Special Revenue Fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

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

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

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

<u>Assets</u>	<u>Years</u>
Site improvements	10-40
Buildings	10-50
Equipment	7-25
Vehicles	5-10

The District does not have any infrastructure assets.

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

5. Compensated Absences

Full time employees are allowed 8 sick days per year, accumulative to 40 days. Part time employees sick days will be prorated. 12 month employees are granted 1 week vacation if they have been there for 1 year. A second week will be granted to 2+ years of service. When employees leave exceeds 40 days, extra days will be bought out by the District each August at the rate of one half of the sub teacher daily rate. Upon termination/retirement, employees will be paid out their sick days at a max of 40 days at one half the sub teacher's daily rate. As of June 30, 2018, the accrued sick leave payable was \$31,450.

6. Long-term Obligations

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

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

7. Estimates

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

8. Fund Balance and Net Position

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

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

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

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

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

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2018  
(continued)

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

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

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

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

At June 30, 2018 the amounts restricted is \$97,643 for the TABOR Reserve and \$352,678 for Debt Services. Within the governmental fund financial statements, amounts committed include \$120,727 for Capital Projects; the amount nonspendable for Food Service is \$7,884; the amount assigned for Food Services is \$38,174; and the amount assigned for Student Activities is \$1,503.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.
- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.
- C. For the fiscal year ended June 30, 2018, the District implemented GASB 75, reporting for Other Post-Employment Benefits (OPEB) associated with the PERA Health Care Trust Fund (HCTF). As a result, a prior year adjustment was required that included the amount \$241,387 of the net HCTF liability for the District as computed by HCTF, less the amount the District submitted to HCTF of \$7,702 after HCTF’s year end. The net prior year adjustment is \$233,685.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Notes to Financial Statements  
 June 30, 2018  
 (continued)

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

	Bank Balance	Carrying Balance
Insured (FDIC)	310,459	661,377
In Colo Trust		1,863,589
Uninsured: Collateral Held by District's Agent in Agent's Name	40,785	-
Total Cash	351,243	2,524,966
Amount in Agency Fund		(58,887)
Net Cash		2,466,079

As presented above, deposits with a bank balance of \$40,785 and a carrying balance of \$0 as of June 30, 2018, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

#### Investments

The district has deposits in COLOTRUST accounts, in the amount \$1,863,589, which are invested in overnight investment accounts and are rated AAAM by Standard & Poor's.

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

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

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

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

#### Fair Value Measurements

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

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

The District's only investments with recurring measurements are its investments at COLOTRUST in the amount of \$1,863,589. These investments were valued using Level 2 inputs.

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

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

C. Changes in General Fixed Assets

	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Sites & Improvements	1,023,387	0	0	1,023,387
Buildings & Improvements	6,008,040	45,164	(21,771)	6,031,433
Equipment	548,794	5,000	(8,858)	544,936
Transportation	<u>286,945</u>	<u>0</u>	<u>0</u>	<u>286,945</u>
Total	7,867,166	50,164	(30,629)	7,886,701
<b>Less Accumulated Depreciation</b>				
Sites & Improvements	412,686	14,289	0	426,975
Buildings & Improvements	2,558,302	127,974	(12,627)	2,673,649
Equipment	355,588	31,964	(5,832)	381,720
Transportation	<u>138,878</u>	<u>22,141</u>	<u>0</u>	<u>161,019</u>
Total	3,465,454	196,368	(18,459)	3,643,363
<b>Government Activities</b>				
Capital Assets, Net	<u>4,401,712</u>	<u>(146,204)</u>	<u>(12,170)</u>	<u>4,243,338</u>

Depreciation expense for the governmental activities was allocated \$170,119 to instruction, \$22,141 to transportation, and \$4,108 to food services.

D. Changes in Long-Term Debt –

<u>Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Lease Payable	1,250,000	0	0	1,250,000
Health Care Trust Fund Liability	241,387	19,803	(22,851)	238,339
Net Pension Liability	<u>9,752,179</u>	<u>2,190,699</u>	<u>(1,505,790)</u>	<u>10,437,088</u>
Total	<u>11,243,566</u>	<u>2,210,502</u>	<u>(1,528,641)</u>	<u>11,925,427</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

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

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

Debt service requirement to maturity:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	70,000	52,625	122,625
2020	70,000	52,625	122,625
2021	70,000	52,625	122,625
2022-2026	350,000	263,125	613,125
2027-2030	<u>340,000</u>	<u>236,813</u>	<u>576,813</u>
	900,000	657,813	1,557,813
Held in Escrow	<u>350,000</u>		
	<u>1,250,000</u>		

(4) OTHER INFORMATION

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

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

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.
- C. Operating Transfers In (Out) - The General Fund transferred \$19,000 to the Student Activity Special Revenue Fund, \$60,000 to the Food Services Fund, and \$110,000 to the Capital Projects Fund for operating expenses.
- D. Defined Benefit Pension Plan

**Summary of Significant Accounting Policies**

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

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](http://www.copera.org/investments/pera-financial-reports).

*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.

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, 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 (AIR) 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.

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

*Contributions provisions as 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:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.50%
<b>Total employer contribution rate to the SCHDTF<sup>1</sup></b>	<b>18.63%</b>	<b>19.13%</b>

<sup>1</sup>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 the District were \$293,531 for the 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 \$10,437,088 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF 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 the 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 0.0322765457 percent, which was a decrease of 0.0004776096 from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018 the District recognized pension expense of \$1,530,552. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	191,894	-0-
Changes of assumptions or other inputs	2,664,976	16,911
Net difference between projected and actual earnings on pension plan investments	-0-	409,874
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	388,403
Contributions subsequent to the measurement date	156,828	N/A
Total	3,013,698	815,189

There is \$156,828 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, which 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:	
2019	(270,807)
2020	(106,755)
2021	(10,842)
2022	-0-
2023	-0-
Thereafter	-0-

*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:

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

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.

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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 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 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.

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	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%
<b>Total</b>	<b>100.00%</b>	

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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 shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- 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%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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.

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*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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	13,183,817	10,437,088	8,198,817

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

#### **Payables to the pension plan**

#### **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](http://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.

At June 30, 2018, the District reported a liability of \$10,437,088 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.

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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%	\$ 4,715,386

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 \$4,715,386 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

E. Other Post-Employment Benefits

**Summary of Significant Accounting Policies**

*OPEB.* The District 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.

**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](http://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.

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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.

*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.

*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 \$15,847 for the year ended June 30, 2018.

**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 \$238,339 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 Districts 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 0.0183394044 percent, which was a decrease of 0.0002784440 percent from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018, the District recognized OPEB expense of \$2,206. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	1,127	-0-
Changes of assumptions or other inputs	-0-	-0-
Net difference between projected and actual earnings on OPEB plan investments	-0-	3,987
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	3,054
Contributions subsequent to the measurement date	8,362	N/A
Total	9,489	7,041

There is \$8,362 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:

Year ended June 30:	
2019	(600)
2020	(600)
2021	(600)
2022	(600)
2023	(600)
Thereafter	(54)

*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 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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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.

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 the 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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 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.

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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.
- Initial per capita 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 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 capita 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.

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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%
<b>Total</b>	<b>100.00%</b>	

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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
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%
Net OPEB Liability	231,781	238,339	246,237

*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.

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2018  
(continued)

- 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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	267,968	238,339	213,050

*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](http://www.copera.org/investments/pera-financial-reports).

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

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

At June 30, 2017, total assets were \$2,759,621, deferred outflows were \$6,370,494, total liabilities were \$17,087,255, deferred inflows were \$423,405, net position was \$(8,380,545), revenues were \$8,591,775, and expenses were \$10,871,227.

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

REQUIRED SUPPLEMENTARY INFORMATION

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2018

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	737,725	737,725	931,270	193,545
State Sources	2,463,348	2,463,348	2,374,108	(89,240)
Federal Sources	<u>49,197</u>	<u>49,197</u>	<u>47,380</u>	<u>(1,817)</u>
Total Revenues	3,250,270	3,250,270	3,352,758	102,488
<b>EXPENDITURES</b>				
Current				
Instruction	1,753,558	1,753,558	1,656,420	97,138
Supporting Services				
Pupils	87,153	87,153	81,120	6,033
Instructional Staff - Library	86,132	86,132	148,035	(61,903)
General Administration	175,554	175,554	150,097	25,457
School Administration	291,441	291,441	330,081	(38,640)
Business Services	111,637	111,637	107,335	4,302
Operations & Maintenance	399,750	399,750	384,289	15,461
Pupil Transportation	111,018	111,018	122,185	(11,167)
Central Services	152,475	152,475	106,520	45,955
Debt Service	73,600	73,600	3,473	70,127
Capital Outlay	31,650	31,650	30,291	1,359
Appropriated reserves	<u>1,798,562</u>	<u>1,798,562</u>	<u>0</u>	<u>1,798,562</u>
Total Expenditures	<u>5,072,530</u>	<u>5,072,530</u>	<u>3,119,847</u>	<u>1,952,683</u>
Excess of Revenues over (under) Expenditures	(1,822,260)	(1,822,260)	232,911	2,055,171
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(185,000)</u>	<u>(185,000)</u>	<u>(189,000)</u>	<u>(4,000)</u>
Excess or revenues and other sources over (under) expenditures and other uses	(2,007,260)	(2,007,260)	43,911	2,051,171
Fund Balance - Beginning	<u>2,007,260</u>	<u>2,007,260</u>	<u>2,007,260</u>	<u>(0)</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>2,051,171</u>	<u>2,051,171</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado

Schedule of District's Proportionate Share of the Net Pension Liability-PERA School Division Trust Fund

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.032277%	0.032754%	0.036987%	0.040143%	0.042400%
Proportionate share of the collective net pension liability	10,437,088	9,752,179	5,656,872	5,440,727	5,408,155
Covered payroll	1,488,884	1,470,065	1,611,796	1,681,702	1,708,907
Proportionate share of the net pension liability as a percentage of its covered employee payroll	701.00%	663.38%	350.97%	323.52%	316.47%
Plan fiduciary net position as a percentage of total pension liability	43.96%	43.10%	59.20%	62.80%	64.06%

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2013; additional years will be displayed as they become available.

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

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily required contributions	293,531	271,517	264,403	286,002	268,288	265,180	260,914	236,236	222,537	227,305
Contributions in relation to the statutorily required contribution	<u>293,531</u>	<u>271,517</u>	<u>264,403</u>	<u>286,002</u>	<u>268,288</u>	<u>265,180</u>	<u>260,914</u>	<u>236,236</u>	<u>222,537</u>	<u>227,305</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered-employee payroll	1,553,582	1,476,789	1,491,148	1,693,128	1,677,848	1,757,907	1,838,181	1,777,298	1,797,158	1,978,812
Contributions as a percentage of covered-employee payroll	18.89%	18.39%	17.73%	16.89%	15.99%	15.08%	14.19%	13.29%	12.38%	11.49%

Note 1: Information above is presented as of the District's fiscal year.

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Schedule of District's Proportionate Share of Net Other Post-Employment Benefit  
 Liability- Health Care Trust Fund

	<u>2017</u>	<u>2016</u>
Proportion (percentage) of the collective net pension liability	0.018339%	0.018618%
Proportionate share of the collective net pension liability	238,339	241,387
Covered payroll	1,488,884	1,470,065
Proportionate share of the net pension liability as a percentage of its covered employee payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of total pension liability	17.53%	N/A

Note 1: The amounts presented for each year were determined as of December 31.

Note 2: Information is not currently available for years prior to 2016; additional information will be displayed as they become available.

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Schedule of Contributions and Related Ratios-Health Care Trust Fund

As of June 30,	<u>2018</u>	<u>2017</u>
Statutorily required contributions	15,847	15,210
Contributions in relation to the statutorily required contribution	<u>15,847</u>	<u>15,210</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>
Covered-employee payroll	1,553,582	1,491,148
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

Note 1: Information above is presented as of the District's fiscal year.

Note 2: Information is not currently available for years prior to 2017; additional years will be displayed as they become available.



## OTHER INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Combining Balance Sheet  
 All Nonmajor Governmental Funds  
 June 30, 2018

ASSETS	<u>Food Service</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Totals</u>
Cash	60,826	1,503	115,908	178,237
Accounts/Grants Receivable	335	0	0	335
Due From Other Funds	0	0	4,819	4,819
Inventory	<u>7,884</u>	<u>0</u>	<u>0</u>	<u>7,884</u>
Total Assets	<u>69,045</u>	<u>1,503</u>	<u>120,727</u>	<u>191,276</u>
LIABILITIES				
Due to Other Funds	4,819	0	0	4,819
Accrued Sick Leave	7,060	0	0	7,060
Accrued Salaries & Benefits	<u>9,538</u>	<u>0</u>	<u>0</u>	<u>9,538</u>
Total Liabilities	21,417	0	0	21,417
UNEARNED REVENUE	1,569	0	0	1,569
FUND BALANCE				
Nonspendable	7,884	0	0	7,884
Committed	0	0	120,727	120,727
Assigned	<u>38,174</u>	<u>1,503</u>	<u>0</u>	<u>39,677</u>
Total Fund Balances	<u>46,059</u>	<u>1,503</u>	<u>120,727</u>	<u>168,289</u>
Total Liabilities and Fund Balances	<u>69,045</u>	<u>1,503</u>	<u>120,727</u>	<u>191,276</u>

## ELBERT COUNTY SCHOOL DISTRICT C-2

Kiowa, Colorado

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Nonmajor Governmental Funds

For the Year Ended June 30, 2018

	<u>Food Service</u>	<u>Student Activity</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>REVENUES</b>				
Local Sources	44,341	34,981	714	80,037
State Sources	1,273	0	0	1,273
Federal Sources	<u>42,849</u>	<u>0</u>	<u>0</u>	<u>42,849</u>
Total Revenues	88,463	34,981	714	124,159
<b>EXPENDITURES</b>				
Current				
Food Service	135,387	0	0	135,387
Other	0	54,766	26,620	81,386
Capital Outlay	<u>0</u>	<u>0</u>	<u>87,104</u>	<u>87,104</u>
Total Expenditures	<u>135,387</u>	<u>54,766</u>	<u>113,724</u>	<u>303,877</u>
Excess of Revenues over (under) Expenditures	(46,923)	(19,785)	(113,009)	(179,718)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>60,000</u>	<u>19,000</u>	<u>110,000</u>	<u>189,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	13,077	(785)	(3,009)	9,282
Fund Balance - Beginning	<u>32,982</u>	<u>2,288</u>	<u>123,737</u>	<u>159,007</u>
Fund Balance - Ending	<u>46,059</u>	<u>1,503</u>	<u>120,727</u>	<u>168,289</u>

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



## GENERAL FUND

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

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
<b>ASSETS</b>			
Cash			
On Hand	2,500	2,500	0
In Bank	2,270,857	2,269,262	1,595
Cash with County Treasurer	<u>14,485</u>	<u>0</u>	<u>14,485</u>
Total Cash	2,287,842	2,271,762	16,080
Accounts Receivable/ Grants Receivable	108,393	3,297	105,096
Accrued Property Tax Receivable	<u>25,945</u>	<u>11,353</u>	<u>14,592</u>
Total Assets	<u>2,422,180</u>	<u>2,286,412</u>	<u>135,768</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	80,872	13,870	67,002
Accrued Sick Leave	31,450	43,196	(11,747)
Accrued Salaries and Benefits Payable	<u>246,688</u>	<u>222,086</u>	<u>24,602</u>
Total Liabilities	359,009	279,153	79,857
Unearned Revenue	12,000	0	12,000
Fund Balance			
Restricted for TABOR Reserve	97,643	95,928	1,715
Restricted for Debt Service	352,678	0	352,678
Unassigned	<u>1,600,850</u>	<u>1,911,332</u>	<u>(310,482)</u>
Total Fund Balance	<u>2,051,171</u>	<u>2,007,260</u>	<u>43,911</u>
Total Liabilities and Fund Balance	<u>2,422,180</u>	<u>2,286,412</u>	<u>135,768</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
From Local Sources				
Current Property Taxes	599,990	742,856	142,866	609,726
Specific Ownership Taxes	99,910	128,503	28,593	106,291
Delinquent Taxes & Interest	1,300	1,089	(211)	712
Investment Interest	20,000	26,970	6,970	15,037
Tuition	9,200	9,719	519	9,740
Other	<u>7,325</u>	<u>22,133</u>	<u>14,808</u>	<u>13,683</u>
Total Local Sources	737,725	931,270	193,545	755,189
From State Sources				
Equalization	2,279,713	2,126,898	(152,815)	2,281,995
ELPA	2,000	1,810	(190)	3,641
Gifted & Talented	5,424	0	(5,424)	0
Transportation	39,516	39,611	95	31,748
BOCES Flowthrough	0	43,061	43,061	30,945
Other	<u>136,695</u>	<u>162,729</u>	<u>26,034</u>	<u>10,898</u>
Total State Sources	2,463,348	2,374,108	(89,240)	2,359,227
From Federal Sources				
Federal	17,645	17,645	0	25,577
BOCES Flowthrough	<u>31,552</u>	<u>29,735</u>	<u>(1,817)</u>	<u>21,241</u>
Total Federal Sources	49,197	47,380	(1,817)	46,818
Total Revenues	3,250,270	3,352,758	102,488	3,161,235
Expenditures	<u>5,072,530</u>	<u>3,119,847</u>	<u>1,952,683</u>	<u>2,835,126</u>
Excess of Revenues over (under) Expenditures and Other Sources	(1,822,260)	232,911	2,055,171	326,109
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>(185,000)</u>	<u>(189,000)</u>	<u>(4,000)</u>	<u>(189,000)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,007,260)	43,911	2,051,171	137,109
Fund Balance - Beginning	<u>2,007,260</u>	<u>2,007,260</u>	<u>0</u>	<u>1,870,151</u>
Fund Balance - Ending	<u>0</u>	<u>2,051,171</u>	<u>2,051,171</u>	<u>2,007,260</u>

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

## ELBERT COUNTY SCHOOL DISTRICT C-2

Kiowa, Colorado

General Fund

## Statement of Expenditures - Budget and Actual

For the Year Ended June 30, 2018

With Comparative Actual Amounts for the Year Ended June 30, 2017

			Variance	Actual
			Favorable	Prior
	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>	<u>Year</u>
<b>INSTRUCTION</b>				
Current				
Salaries	1,072,288	1,045,479	26,809	961,344
Employee Benefits	458,354	438,382	19,972	417,150
Purchased Services	171,966	133,323	38,643	179,695
Supplies and Material	49,900	39,017	10,883	35,709
Other	1,050	219	832	368
Capital Outlay	<u>10,550</u>	<u>9,052</u>	<u>1,498</u>	<u>4,578</u>
Total Instruction	1,764,108	1,665,471	98,637	1,598,843
<b>SUPPORTING SERVICES</b>				
<b>Students</b>				
Current				
Salaries	42,778	42,778	0	41,944
Employee Benefits	17,373	16,816	557	16,343
Purchased Services	13,359	13,111	248	13,325
Supplies and Material	10,100	4,872	5,228	4,719
Other	3,543	3,543	(0)	3,256
Capital Outlay	<u>200</u>	<u>0</u>	<u>200</u>	<u>0</u>
Total Students	87,353	81,120	6,233	79,587
<b>Instructional Staff Services</b>				
Current				
Salaries	14,680	13,350	1,330	17,188
Employee Benefits	8,902	7,058	1,844	8,250
Purchased Services	36,450	98,662	(62,212)	4,953
Supplies and Material	20,100	18,142	1,958	9,750
Other	6,000	10,824	(4,824)	9,750
Capital Outlay	<u>6,100</u>	<u>12,801</u>	<u>(6,701)</u>	<u>0</u>
Total Instructional Staff	92,232	160,836	(68,604)	40,141
<b>General Administration</b>				
Current				
Salaries	109,458	110,625	(1,167)	62,461
Employee Benefits	53,646	33,067	20,579	20,017
Purchased Services	5,950	4,288	1,662	26,518
Supplies and Material	500	394	106	8,134
Other	6,000	1,724	4,276	10,950
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total General Administration	175,554	150,097	25,457	128,079

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>School Administration</b>				
Current				
Salaries	217,763	250,411	(32,648)	221,342
Employee Benefits	70,678	78,619	(7,941)	83,605
Purchased Services	1,500	405	1,095	89
Supplies and Material	500	111	389	0
Other	1,000	535	465	0
Capital Outlay	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>0</u>
Total School Administration	292,441	330,081	(37,640)	305,036
<b>Business</b>				
Current				
Salaries	63,723	63,273	450	62,045
Employee Benefits	14,997	15,446	(449)	14,819
Purchased Services	31,917	27,910	4,007	33,322
Supplies and Material	<u>1,000</u>	<u>706</u>	<u>294</u>	<u>924</u>
Total Business	111,637	107,335	4,302	111,110
<b>Operations &amp; Maintenance</b>				
Current				
Salaries	77,458	72,497	4,961	73,718
Employee Benefits	33,017	31,834	1,183	31,821
Purchased Services	166,275	173,701	(7,426)	156,135
Supplies and Material	123,000	106,257	16,743	112,560
Capital Outlay	<u>4,300</u>	<u>3,666</u>	<u>634</u>	<u>3,562</u>
Total Operations & Maintenance	404,050	387,955	16,095	377,797
<b>Pupil Transportation</b>				
Current				
Salaries	17,650	18,767	(1,117)	13,718
Employee Benefits	3,768	4,254	(486)	3,058
Purchased Services	69,600	70,359	(759)	59,352
Supplies and Material	20,000	28,805	(8,805)	11,871
Capital Outlay	<u>3,500</u>	<u>3,220</u>	<u>280</u>	<u>559</u>
Total Pupil Transportation	114,518	125,405	(10,887)	88,558

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Support Services				
Current				
Purchased Services	136,975	89,184	47,791	87,958
Supplies and Material	15,500	17,337	(1,837)	13,008
Capital Outlay	<u>6,000</u>	<u>1,552</u>	<u>4,448</u>	<u>1,404</u>
Total Support Services	<u>158,475</u>	<u>108,073</u>	<u>50,402</u>	<u>102,370</u>
Total Support Services	1,436,260	1,450,902	(14,642)	1,232,678
Debt Service	73,600	3,473	70,127	3,605
Contingency Reserve	<u>1,798,562</u>	<u>0</u>	<u>1,798,562</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u><b>5,072,530</b></u>	<u><b>3,119,847</b></u>	<u><b>1,952,683</b></u>	<u><b>2,835,126</b></u>

## SPECIAL REVENUE FUNDS

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

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

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Cash	60,826	40,522	20,304
Accounts & Grants Receivable	335	81	254
Inventory	<u>7,884</u>	<u>7,023</u>	<u>862</u>
Total Current Assets	<u>69,045</u>	<u>47,626</u>	<u>21,419</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Due to Other Funds	4,819	0	4,819
Accrued Sick Leave	7,060	4,020	3,040
Accrued Salaries & Benefits	<u>9,538</u>	<u>9,250</u>	<u>288</u>
Total Liabilities	21,417	13,270	8,148
Unearned Revenue	1,569	1,374	195
Fund Balance			
Nonspendable	7,884	7,023	862
Assigned	<u>38,174</u>	<u>25,959</u>	<u>12,215</u>
Total Fund Balance	<u>46,059</u>	<u>32,982</u>	<u>13,077</u>
Total Liabilities and Fund Balance	<u>69,045</u>	<u>47,626</u>	<u>21,419</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Food Services Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	43,300	44,341	1,041	39,763
State Grants	1,469	1,273	(196)	1,597
Federal aid	35,000	35,551	551	39,715
Commodities Donated	<u>6,000</u>	<u>7,298</u>	<u>1,298</u>	<u>7,768</u>
Total Revenue	85,769	88,463	2,694	88,842
EXPENDITURES				
Salaries	56,900	54,831	2,069	49,596
Benefits	30,028	24,729	5,299	25,252
Purchased Services	6,800	1,958	4,842	2,804
Food, Milk & Snacks	54,050	48,168	5,882	53,206
Supplies	9,025	3,488	5,537	3,952
Capital Outlay	3,000	2,213	787	0
Appropriated Reserve	<u>7,950</u>	<u>0</u>	<u>7,950</u>	<u>0</u>
Total Expenditures	<u>167,753</u>	<u>135,387</u>	<u>32,366</u>	<u>134,811</u>
Excess of Revenues over (under) Expenditures and Other Sources	(81,984)	(46,923)	35,061	(45,968)
Other Financing Sources				
Operating Transfers In	<u>60,000</u>	<u>60,000</u>	<u>0</u>	<u>69,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(21,984)	13,077	35,061	23,032
Fund Balance - Beginning	<u>21,984</u>	<u>32,982</u>	<u>10,998</u>	<u>9,950</u>
Fund Balance - Ending	<u>0</u>	<u>46,059</u>	<u>46,059</u>	<u>32,982</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
ASSETS			
Cash	<u>1,503</u>	<u>2,288</u>	<u>(785)</u>
ASSIGNED FUND BALANCE	<u>1,503</u>	<u>2,288</u>	<u>(785)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Student Activity Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Gate/Door Admissions	16,000	10,832	(5,168)	16,075
Fees	22,200	21,892	(308)	22,838
Tickets/Passes	2,500	1,410	(1,090)	2,410
Donations	0	0	0	500
Other Income	<u>7,000</u>	<u>847</u>	<u>(6,153)</u>	<u>6,416</u>
Total Revenues	47,700	34,981	(12,719)	48,239
<b>EXPENDITURES</b>				
Current				
Purchased Services	51,789	34,681	(17,108)	42,896
Supplies	<u>13,200</u>	<u>20,085</u>	<u>6,885</u>	<u>19,521</u>
Total Expenditures	<u>64,989</u>	<u>54,766</u>	<u>(10,223)</u>	<u>62,417</u>
Excess of Revenues over (under) Expenditures	(17,289)	(19,785)	(2,496)	(14,178)
Operating Transfer In	<u>15,000</u>	<u>19,000</u>	<u>4,000</u>	<u>15,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,289)	(785)	1,504	822
Fund Balance - Beginning	<u>2,289</u>	<u>2,288</u>	<u>(1)</u>	<u>1,466</u>
Fund Balance - Ending	<u>0</u>	<u>1,503</u>	<u>1,503</u>	<u>2,288</u>

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



## CAPITAL PROJECTS FUND

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

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
<b>ASSETS</b>			
Cash	115,908	123,737	(7,829)
Due From Other Funds	<u>4,819</u>	<u>0</u>	<u>4,819</u>
Total Assets	<u>120,727</u>	<u>123,737</u>	<u>(3,009)</u>
<b>FUND BALANCE</b>			
Committed for Capital Projects	<u>120,727</u>	<u>123,737</u>	<u>(3,009)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Capital Reserve Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2018  
 With Comparative Actual Amounts for the Year Ended June 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Local Sources				
Investment Earnings	750	714	(36)	182
Grant Income	<u>0</u>	<u>0</u>	<u>0</u>	<u>5,933</u>
Total Revenues	750	714	(36)	6,115
<b>EXPENDITURES</b>				
Capital Outlay				
Equipment	71,000	49,164	21,836	5,933
Vehicles	30,000	0	30,000	56,000
Noncapital Equipment	<u>50,000</u>	<u>37,940</u>	<u>12,060</u>	<u>41,566</u>
Total Capital Outlay	151,000	87,104	63,896	103,499
Other				
Repairs & other	40,000	26,620	13,380	7,025
Appropriated Reserves	<u>56,507</u>	<u>0</u>	<u>56,507</u>	<u>0</u>
Total Expenditures	<u>247,507</u>	<u>113,724</u>	<u>133,783</u>	<u>110,524</u>
Excess of Revenues over (under) Expenditures	(246,757)	(113,009)	133,748	(104,409)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>110,000</u>	<u>110,000</u>	<u>0</u>	<u>105,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(136,757)	(3,009)	133,748	591
Fund Balance - Beginning	<u>136,757</u>	<u>123,737</u>	<u>(13,020)</u>	<u>123,146</u>
Fund Balance - Ending	<u>0</u>	<u>120,727</u>	<u>120,727</u>	<u>123,737</u>



## AGENCY FUND

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2018

	Balance <u>7/1/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/18</u>
Clearing account	153	0	0	153
Class of 2017	959	0	857	102
Class of 2018	6,892	2,639	8,005	1,525
Class of 2019	1,607	10,623	6,616	5,613
Class of 2020	700	918	61	1,558
Class of 2021	(87)	1,398	959	351
After Prom	133	7,192	6,830	495
Band	6,036	8,040	9,669	4,407
Book Talk	517	0	501	16
Cheerleaders - HS	(337)	0	0	(337)
Cross Country	(470)	1,022	191	360
Drama	1,783	3,589	3,414	1,958
Elementary Fundraising	1,555	308	82	1,781
Elementary Student Senate	1,493	1,306	1,231	1,568
FBLA	798	0	0	798
F C A	(476)	0	0	(476)
"K" club	18	0	0	18
Library	6,057	1,254	1,476	5,836
Matchwits	0	95	0	95
NHS	(474)	474	502	(502)
Junior NHS	(404)	404	385	(385)
Student Council - HS	2,642	1,624	1,842	2,424
Student Council - MS	840	731	1,239	332
VB camp	(156)	8,173	6,599	1,418
Yearbook	(2,860)	6,428	5,734	(2,166)
MS Clearing Account	388	0	0	388
MS Science Account	(194)	7,073	7,043	(164)
HS Football Camp	(100)	3,533	4,335	(902)
HS Wrestling Camp	41	130	0	171
HS Baseball Camp	(11)	70	0	59

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Student Activity Agency Fund  
 Statement of Changes in Assets and Liabilities - Budget and Actual  
 For the Year Ended June 30, 2018  
 (continued)

	Balance <u>7/1/17</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/18</u>
HS Basketball Boys	(479)	208	798	(1,069)
AP Exams	1,083	1,496	291	2,288
Wash DC trip - 2015	2,492	0	0	2,492
Randy Wilson Memorial	3,388	13	200	3,200
HS Basketball Girls	(107)	4,095	4,006	(18)
MSBB Camp	25	0	0	25
Concession Bldg/Bleachers	432	0	0	432
HS Science Club	245	72	64	253
Elementary TRIBE	1,154	0	163	992
School Sign	3,963	0	0	3,963
MS TRIBE	578	745	662	661
Arts/crafts	1,007	165	907	265
Books/fines/fees	508	444	939	13
Donations	(668)	17,964	10,500	6,796
Field trips	7	2,149	2,099	57
General activities	(885)	1,343	360	98
Jump/Hoops for Heart	2,079	6,565	3,373	5,271
Life Skills	124	0	0	124
Supplies	7	1,641	1,647	1
Shop - Wood/Auto	142	0	0	142
Preschool Scholarship	(948)	3,002	2,054	0
Distant Learning Fee	3,668	160	1,051	2,777
Section 125 Account	2,215	1,318	0	3,533
PBS Fund	<u>99</u>	<u>0</u>	<u>0</u>	<u>99</u>
Total	47,166	108,403	96,682	58,887
 Budget	 <u>47,166</u>	 <u>129,782</u>	 <u>176,948</u>	 <u>0</u>
Variance - Favorable (Unfavorable)	<u>(0)</u>	<u>(21,379)</u>	<u>80,266</u>	<u>58,887</u>

AUDITOR'S INTEGRITY REPORT



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0930 - KIOWA C-2  
 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
<b>Governmental</b>						
10 General Fund	2,007,260		3,163,758	3,119,847		2,051,171
18 Risk Mgmt Sub-Fund of General Fund	0		0	0		0
19 Colorado Preschool Program Fund	0		0	0		0
<b>Sub-Total</b>	<b>2,007,260</b>		<b>3,163,758</b>	<b>3,119,847</b>		<b>2,051,171</b>
11 Charter School Fund	0		0	0		0
20,26-29 Special Revenue Fund	0		0	0		0
06 Supplemental Cap Const, Tech, Main, Fund	0		0	0		0
21 Food Service Spec Revenue Fund	32,982		148,463	135,387		46,058
22 Govt Designated-Purpose Grants Fund	0		0	0		0
23 Pupil Activity Special Revenue Fund	2,288		53,981	54,766		1,503
24 Full Day Kindergarten Mill Levy Override	0		0	0		0
25 Transportation Fund	0		0	0		0
31 Bond Redemption Fund	0		0	0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0	0		0
41 Building Fund	0		0	0		0
42 Special Building Fund	0		0	0		0
43 Capital Reserve Capital Projects Fund	123,737		110,714	113,724		120,727
46 Supplemental Cap Const, Tech, Main Fund	0		0	0		0
<b>Totals</b>	<b>2,166,266</b>		<b>3,476,917</b>	<b>3,423,724</b>		<b>2,219,460</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0	0		0
64 (63) Risk-Related Activity Fund	0		0	0		0
60,65-69 Other Internal Service Funds	0		0	0		0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>		<b>0</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0	0		0
72 Private Purpose Trust Fund	0		0	0		0
73 Agency Fund	0		0	0		0
74 Pupil Activity Agency Fund	47,166		108,403	96,682		58,887
79 GASB 34/Permanent Fund	0		0	0		0
85 Foundations	0		0	0		0
<b>Totals</b>	<b>47,166</b>		<b>108,403</b>	<b>96,682</b>		<b>58,887</b>
<b>FINAL</b>						<b>56,887</b>