

**KIOWA COUNTY SCHOOL DISTRICT RE-1  
EADS, COLORADO**

**FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2018**

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**BOARD OF EDUCATION**

Ralph Berry	President
Marlynn Eikenberg	Vice-President
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**SCHOOL OFFICIALS**

Glenn Smith	Superintendent
Betsy Barnett	Principal
Pamela S. Cole	Business Manager

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**Required Supplementary Information (RSI)**  
**June 30, 2018**

**Introduction**

Management's discussion and analysis (MD&A) of the financial activities of Kiowa County School District RE-1's (District) finances is to give the reader an overall review as of the year ended June 30, 2018. The purpose of this discussion is to look at the District's finances as a whole. To do this and in order for the reader to get a comprehensive understanding of the District's financial performance, you should also review the financial statements, financial statement footnotes, budgetary comparison schedules and the additional supplementary information.

**Financial Highlights**

General Fund expenditures exceeded revenues by \$204,115, resulting in a \$1,023,758 fund balance available for Fiscal Year 2018-2019. This balance will fund 5 months of operating expenses, which meets the goal of the School Board. We continue to budget adequate contingencies greater than required by law to cover any unanticipated operational needs. As the financials reflect, the District's budget continues to remain reasonably constant with any increases in revenue being used to offset the cost of salary and benefits for additional staff and/or programs.

**Using the Basic Financial Statements**

This discussion and analysis serves as an introduction to the District's basic financial statements and their corresponding notes. We have organized these statements so that the reader may gain an understanding of the District as a complete operating entity. These statements then proceed to impart an increasingly thorough look at specific financial activities.

The Statement of Net Position and the Statement of Activities are government-wide financial statements. These statements provide long and short-term information concerning the district's overall financial status.

The remaining statements are fund financial statements which focus on individual parts of the district's operations in greater detail. The governmental fund statements reflect how general district services were funded in the short term as well as what funds remain for future spending. The financial statements also include notes that explain some of the information contained in the financial statements and provides more detailed data.

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

The analysis of governmental funds serves the purpose of looking at what resources came into the funds, how they were spent, and what is available for future expenditures. Did the District generate enough revenue to pay for current obligations? What is available for spending at the end of the year? The strong financial performance of the District as a whole, is reflected in its governmental funds as well. At the end of the fiscal year, the District's governmental funds reported combined ending fund balances of \$1,137,090.

As of June 30, 2018, the District's total net position was (\$3,234,841). The District's governmental net position was lower in 2018 decreasing from (\$1,900,807) to (\$3,234,841) or a 70% decrease; in contrast to last year's net position decrease of (\$981,195) or 106.70%. The District's unrestricted net position, the part of the net position that can be used to finance day-to-day operations without constraints established by legal requirements changed from a (\$3,762,668) deficit at June 30, 2017 to a (\$5,253,334) deficit at the end of this year, also a decrease of (\$1,490,666) or 39.62%.

The District's total governmental revenues for the year end June 30, 2018 increased by 5.96% or \$156,364; while the total cost of all programs and services increased by \$509,203, or 14.14%. Even though there was an increase in revenues and in expenses, there was still an overall decrease in our net position. This decrease is reflective of the implementation of GASB Statement No. 68; which requires the District to report the net pension liability of the District's proportionate share in the PERA pension plan, which is \$8,056,430 along with the newly required OPEB Liability of \$183,975 for 2018. These liabilities must be reported on the District's financial statements but they are not current liabilities owed by the District.

Looking at the year end's bottom line, and taking the long term obligations out, the District was able to show an overall increase in its governmental fund balance, going from \$1,065,203 as of June 30, 2017 to \$1,137,090 at June 30, 2018 which is a increase of \$71,887 or 6.75%.

## **Government-Wide Financial Statements**

The government-wide financial statements report information about the District's finances as a whole using accounting methods comparable to those used by private businesses. The first two statements are government-wide financial statements – the *Statement of Net Position* and the *Statement of Activities*. One of the most asked questions about the District's finances is, "Is the District as a whole better or worse off as a result of the year's activities?" These statements provide both long-term and short-term information pertaining to the District's overall financial status in a way that helps answer this question.

The *Statement of Net Position* presents information on all of the District’s assets less liabilities, which results in net position. It is designed to display the financial position of the District. The causes of any change in assets here, may be the result of various factors, some financial, some not. Non-financial factors may include facility conditions and required educational programs. The *Statement of Activities* provides information that shows how the District’s net position changed as a result of the year’s activities. The statement identifies the extent to which each expenditure draws from the general revenues of the District (primarily property taxes) and intergovernmental aid (such as federal programs and equalization).

The *Statement of Net Position* and the *Statement of Activities* for the District are divided and reported as two distinct types of activities:

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

A *Condensed Statement of Net Position* for the District is as follows:

**Table 1 – Condensed Statement of Net Position**

	<b>Governmental Activities</b>	
	<b><u>2018</u></b>	<b><u>2017</u></b>
Current Assets	\$ 1,348,566	\$ 1,279,703
Capital Assets - Net	<u>1,938,493</u>	<u>1,785,861</u>
Total Assets	<u>3,287,059</u>	<u>3,065,564</u>
Deferred Outflows	<u>2,502,013</u>	<u>2,851,781</u>
Current Liabilities	198,466	203,518
Long-Term Liabilities	<u>8,444,283</u>	<u>7,419,765</u>
Total Liabilities	<u>8,642,749</u>	<u>7,623,283</u>
Deferred Inflows	<u>579,630</u>	<u>194,869</u>
Net Investment in Capital Assets	1,938,493	1,785,861
Restricted Net Position	80,000	76,000
Unrestricted Net Position	<u>(5,253,334)</u>	<u>(3,762,668)</u>
<b>Total Net Position</b>	<b><u>\$ (3,234,841)</u></b>	<b><u>\$ (1,900,807)</u></b>

The majority of the District’s net position are invested in capital assets (buildings, land, and equipment). The remaining net position is a combination of restricted and non-restricted amounts. The restricted balances are primarily amounts legally restricted for TABOR emergencies.

A *Condensed Statement of Activities and Changes in Net Position* is reflected below:

**Table 2 - Condensed Statement of Activities**

	<b>Governmental Activities</b>	
	<u><b>2018</b></u>	<u><b>2017</b></u>
<b>Program Revenues:</b>		
Charges for Services	\$ 186,394	\$ 164,760
Operating Grants	349,235	346,667
Capital Grants	<u>54,781</u>	<u>-</u>
Total Program Revenues	<u>590,410</u>	<u>511,427</u>
<b>General Revenues:</b>		
Taxes	558,405	551,627
State Equalization	1,556,163	1,514,491
Investment Income	4,298	3,866
Gain on Disposal	(3,411)	450
Insurance Proceeds	8,594	-
Miscellaneous	<u>62,605</u>	<u>38,839</u>
Total General Revenues	<u>2,186,654</u>	<u>2,109,273</u>
<b>Total Revenues</b>	<u><b>2,777,064</b></u>	<u><b>2,620,700</b></u>
<b>Expenses</b>		
Instruction	2,362,913	2,147,648
Supporting Services	<u>1,570,627</u>	<u>1,454,247</u>
<b>Total Expenses</b>	<u><b>3,933,540</b></u>	<u><b>3,601,895</b></u>
<b>Change in Net Position</b>	<u><b>(1,156,476)</b></u>	<u><b>(981,195)</b></u>
<b>Net Position - Beginning</b>	(1,900,807)	-
<b>Prior Period Restatement</b>	<u>(177,558)</u>	<u>-</u>
<b>Net Position - Beginning (Restated)</b>	<u>(2,078,365)</u>	<u>(919,612)</u>
<b>Net Position - Ending</b>	<u><b>\$ (3,234,841)</b></u>	<u><b>\$ (1,900,807)</b></u>

Program revenues, specifically operating grants and contributions, capital grants and charges for services are a large portion of the District's revenue 21.26%.

- Operating grants are the major source of revenue in this category and contribute 59.15% of program revenues and 12.58% of total revenues. The Capital Grant funds are restricted for stated programs and energy funding, contributing 9.28% of the program revenues and 1.97% of total revenues.
- Charges for services include the technology fee, federal reimbursement for meals, student and adult meal purchases and were 31.57% of program revenues and 6.71% of total revenues.

General revenues, primarily equalization and property taxes are used to fund expenses not covered by program revenues and make up 78.74% of total revenues.

Instructional expenses, primarily salaries and benefits for classroom teachers, are the largest expense function of the District, 60.28% which is an increase of 15.38% from last year).

- In addition to teacher salaries and benefits, instruction includes teacher aides, substitute teachers, textbooks, professional development, and classroom instructional materials, supplies and equipment.
- Supporting services includes salaries and benefits for school principals, librarians, school secretaries, bookkeepers, professional development expenses, custodial salaries and benefits and supplies to maintain the buildings and grounds providing a safe environment for staff and students, transportation salaries and benefits, vehicle maintenance and repair, and vehicle fuel.
- Unallocated depreciation is used to report depreciation expenses of the District's assets.
- Food services includes salaries and benefits for cooks, and lunchroom manager, as well as donated and purchased food, food preparation and service supplies, and equipment.

The decrease in net position can be attributed to several factors, including:

- The biggest aspect of our decrease in net position is the reporting requirement of GASB Statement No. 68.
- As a District we chose to not freeze the salary schedule for our employees as many other districts across the state did, which was a major increase in our expenses and contributed the most towards our decrease in net position.
- The increase in the cost of food supplies for the Food Service Fund.
- The increase in the overall expenses to operate and maintain our Bus Fleet.
- Also, as a District we chose to increase the amount the District contributes toward employee health insurance.

The District managed its governmental operations in an effort to maintain the available carryover, in order to establish a five month operating window.

### **Reporting the District's Most Significant Funds**

The analysis of the District's major funds begins on page 4. These fund financial reports provide detailed information regarding the District's major funds. The District's major governmental funds are the General Fund and Pupil Activity Funds. Other Non-major governmental funds are the Food Service Fund and Capital Projects Fund.

**Governmental Funds.** Most of the District's financial activities are reported in the governmental funds. These statements focus on how money flows into and out of those funds and reflects the balances left at year-end that is available for spending in future periods. The District uses the accounting method known as modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash to report these funds. The governmental fund statements offer a detailed short-term examination of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be expended in the near future to finance educational programs. The relationship between government activities (reported in the *Statement of Net Position* and the *Statement of Activities*) and governmental funds is reconciled in the financial statements of the Governmental Funds. The General fund provides the majority of the District's instruction and support operations, while the Pupil Activity Fund generally accounts for student generated revenues and expenditures related to non-classroom activities.

**Non-major Governmental Funds.** The Non-major Governmental Funds consisting of Capital Reserve Projects Fund accounts for the District's funds set aside for the purchase and/or improvement of capital assets and the Food Service Fund accounts for preparation of and serving of nutritional meals to our students.

**Special Revenue Fund.** The Special Revenue Fund is the Food Service Fund. This program had revenues of \$114,079 which included a General Fund transfer of \$25,000, and expenses of \$107,850. The food service staff have improved their menus making them healthier to meet federal guidelines. The number of meals served remains constant, however, it will always require a transfer from the General Fund in order to operate. The board is aware of the difficulties in operating this fund and that it will require continuous monitoring, while providing nutritious meals to the students at a reasonable cost.

### **Fund Financial Statements**

The fund financial statements focus on individual parts of the District's operations in greater detail. A fund is a grouping of related accounts that is used to keep track of specific sources of funding and spending for specific purposes. The governmental fund statements provide a detailed short-term view that helps you determine whether there is more or less financial resources that can be spent in the near future to finance the District's programs. The proprietary fund statements offer short and long-term financial information about the activities the District operates as a Special Revenue Fund; for our District this activity is known as the Food Service Fund. The financial statements also include notes that explain some of the information contained in the financial statements and provides more detailed data.

Notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.

In addition to the basic financial statements and the accompanying notes, this report also presents certain *Required Supplementary Information* (RSI) other than the MD&A consisting of a budgetary comparison schedule for the General Fund and each major special revenue fund that has a legally adopted annual budget. The schedule includes an accompanying note explaining the differences between actual amounts as reported on the basis of budgeting and the GAAP basis of reporting.

**General Fund.** Equity in the General Fund increased from 2017 to 2018 by \$84,115 mainly due to the receipt of additional grant revenues. We have also made some staffing changes, and by combining some positions mainly through attrition, we have saved the District money. None of our programs or supplies required to operate those programs have been affected by our funding decisions. As a District we are always in the process of comparing expenditures to revenues in an effort to maintain, if not increase, operating carryovers in order to maintain a minimum five to six month operating reserve.

**Pupil Activity Fund.** Equity in the Pupil Activity Fund decreased by a total of \$9,913 from 2017 to 2018. As the District does not control the activity within this fund, due to its custodial nature, equity balances may increase or decrease on an annual basis.

**Capital Reserve Projects Fund.** Equity in this fund decreased by \$8,544 from 2017 to 2018 due in part to the renovation and minor upgrading to District owned land and buildings.

**Food Service Fund.** This Special Revenue Fund reflected a fund balance increase of \$6,229 from 2017 to 2018. This increase comes from the District choosing to pay for students who want seconds at lunch and the continued transfer of money to help fund the operations.

### **Capital Assets**

As of June 30, 2018 the District had \$1,938,493 invested in a broad range of capital assets, including land, buildings, furniture and equipment. This amount represents a net increase (including additions, deletions, and depreciation) of \$152,632 or 8.55% increase from the year ending June 30, 2017. A summary of the District's Governmental Capital Assets is as follows:

TABLE 3 - GOVERNMENTAL ACTIVITY CAPITAL ASSETS

	Balance July 1, 2017	Additions	Deletions & Transfers	Balance June 30, 2018
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 235,398	\$ 115,109	\$ -	\$ 350,507
Total Capital Assets Not Being Depreciated	235,398	115,109	-	350,507
Capital Assets Being Depreciated				
Buildings	\$ 2,791,483	\$ 129,858	\$ 21,320	\$ 2,900,021
Land Improvements	471,734	7,800	40,700	438,834
Machinery & Equipment	143,850	-	-	143,850
Food Service Equipment	35,350	-	-	35,350
Vehicles	439,791	-	-	439,791
Total Capital Assets Being Depreciated	3,882,208	137,658	62,020	3,957,846
Total Capital Assets	4,117,606	252,767	62,020	4,308,353
Less Accumulated Depreciation:				
Buildings	(1,535,201)	(61,043)	(17,909)	(1,578,335)
Land Improvements	(300,528)	(15,614)	(40,700)	(275,442)
Machinery & Equipment	(97,810)	(5,853)	-	(103,663)
Food Service Equipment	(26,510)	(737)	-	(27,247)
Vehicles	(371,696)	(13,477)	-	(385,173)
Total Accumulated Depreciation	(2,331,745)	(96,724)	(58,609)	(2,369,860)
<b>Net Capital Assets</b>	<b>\$ 1,785,861</b>	<b>\$ 156,043</b>	<b>\$ 3,411</b>	<b>\$ 1,938,493</b>

The District expended \$252,767 to improve capital assets during the fiscal year; these improvements consisted of repointed exterior masonry on the Old Gym, new sprinkler system on west side of high school, main electric upgrade with new service to Old Gym, and completion of LED light installation in all buildings. Reductions in our capital assets totaled \$58,609. These reductions consisted of depreciation and removal of old electric system and old lights. The District does not maintain separate infrastructure assets as all infrastructure has been included with the related capital assets.

### **Debt Administration**

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

	Restated Balance July 1, 2017	Additions	Payments	Balance June 30, 2018	Current Portion
OPEB Liability	\$ 183,414	\$ 561	\$ -	\$ 183,975	\$ -
PERA Net Pension Liability	7,410,042	646,388	-	8,056,430	-
Accrued Compensated Absences	9,723	-	4,311	5,412	-
<b>Total Long-Term Obligations</b>	<b>\$ 7,603,179</b>	<b>\$ 646,949</b>	<b>\$ 4,311</b>	<b>\$ 8,245,817</b>	<b>\$ -</b>

The accrued compensated absences represent the amounts to be funded for earned but unused vacation and sick leave. Additional information related to the District's long-term obligations can be found in Note 6 to the financial statements.

### **General Fund Budget**

The Board of Education adopts the District's budget in June of each year. Changes, if needed, are then made in October when student enrollment is finalized. The adoption of supplemental budgets is allowed throughout the year when unanticipated additional revenues are received, usually in the form of grants. The majority of changes to the General Fund budget are in the area of salary and benefits due to staff changes and the acquisition or renovation of Capital Assets. Program funding is based upon student enrollment on October 1<sup>st</sup> of each year. This per pupil funding is a combination of Property Tax, State Equalization and Specific Ownership Tax.

### **The Future of the District**

The District's plans for the future are to continue building and/or maintaining equity through efficient operations, in order to maintain a fund balance close to \$1,000,000. We believe that this is an adequate amount of fund balance to withstand the current dropping enrollment and to have available in reserve in case of emergency. Although we feel we are in a stable financial position, with declining enrollment we do not want to get caught with an inadequate budget to support the instruction of our students, so we constantly review the budget, expenses and revenues to make sure we remain on track with our objectives. We have already begun the process of prioritizing funding line items to address any unforeseen shortfalls, as well as looking at different scenarios to reduce expenses district wide yet maintain student achievement. It is our hope and intention to maintain as many programs and opportunities as possible with the current budget outlook.

Our future goals are to evaluate all areas of the budget and to prioritize line items that are instrumental to student achievement. Maintaining and updating facilities, which we will be looking into the purchase of new flooring for portions of our buildings; our transportation fleets are a priority that has a huge impact on the budget and we will be looking at the purchase of a new 71 passenger bus in the near future. As with any major purchase we will address each with caution, necessity and safety concerns in mind. We are also constantly looking at maintaining our technology program as it is an ever-changing environment. It is our overall goal to remain diligent in making decisions that will keep the district in a good financial position, while maintaining a level of excellence that we have worked so hard to develop.

## **Requests for Information**

This financial report is designed to provide citizens, taxpayers and anyone interested in the government's finances with a general overview of Kiowa County School District RE-1's finances and to show the District's accountability for the money it receives. If

you have any questions about this report or need additional financial information contact Pamela Cole, Business Manager by calling 719-438-2218; stop by the Business Office located at 210 W 10<sup>th</sup> Street, Eads, Colorado between the hours of 8:00 a.m. to 4:00 p.m. mountain standard time; or send your request in writing to: Kiowa County School District RE-1, Business Manager, 210 W 10<sup>th</sup>, Eads CO 81036.

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## **FINANCIAL SECTION**

# Holscher, Mayberry & Company, LLC

## Certified Public Accountants

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

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Board of Education  
Kiowa County School District RE-1  
Eads, Colorado

### Independent Auditors' Report

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of the Kiowa County School District RE-1, Colorado, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the District, as listed in the table of contents.

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

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

#### *Auditors' Responsibility*

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

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

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

#### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of the Kiowa County School District RE-1, Colorado, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### **Report on Summarized Comparative Information**

We have previously audited the Kiowa County School District RE-1's 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Emphasis of Matter**

As discussed in Note 16 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

### **Other Matters**

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

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1–M10 and pension schedules on 40-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedule on pages 44-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, the combining individual fund schedules on pages 49-52 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors Integrity and Bolded Balance Sheet reports pages 53-56 are presented for state regulatory compliance and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Holscher, Mayberry + Company, LLC*

Englewood, CO  
November 7, 2018

## **BASIC FINANCIAL STATEMENTS**

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

Kiowa County School District RE-1  
Statement of Net Position  
June 30, 2018

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>	
<b>ASSETS</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 1,289,905
Cash with Fiscal Agent	434
Taxes Receivable	34,613
Grants Receivable	5,253
Other Accounts Receivable	431
Inventory	1,397
Prepaid Expenses	<u>16,535</u>
<b>Total Current Assets</b>	<u>1,348,568</u>
<b>Noncurrent Assets</b>	
Capital Assets, not being depreciated	350,507
Capital Assets, being depreciated	<u>1,587,986</u>
<b>Total Noncurrent Assets</b>	<u>1,938,493</u>
<b>TOTAL ASSETS</b>	<u>3,287,061</u>
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>	
Net Pension Deferred Outflows	2,494,705
Net OPEB Deferred Outflows	<u>7,308</u>
<b>TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>	<u>2,502,013</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 5,789,074</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 28,771
Retainage Payable	2,326
Accrued Salaries & Benefits	167,128
Payroll Taxes & Deductions Payable	<u>241</u>
<b>Total Current Liabilities</b>	198,466
<b>Noncurrent Liabilities</b>	
Due In More Than One Year	<u>8,245,817</u>
<b>TOTAL LIABILITIES</b>	<u>8,444,283</u>
<b>DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>	
Net District's Pension Deferred Inflows	563,542
Net District's OPEB Deferred Inflows	3,078
Other Deferred Inflows	<u>9,079</u>
<b>TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES</b>	<u>575,699</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,938,493
Restricted Net Position	80,000
Unrestricted Net Position	<u>(5,249,401)</u>
<b>TOTAL NET POSITION</b>	<u>(3,230,908)</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>	<u>\$ 5,789,074</u>

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



Kiowa County School District RE-1  
 Balance Sheet  
 Governmental Funds  
 June 30, 2018  
 (With Comparative Totals for June 30, 2017)

	Special Revenue			Totals	
	General Fund	Pupil Activity Fund	Other Governmental Funds	2018	2017
<b>ASSETS</b>					
Cash and Investments	\$ 1,144,865	\$ 77,493	\$ 67,547	\$ 1,289,905	\$ 1,186,908
Cash with Fiscal Agent	434	-	-	434	1,832
Taxes Receivable	34,613	-	-	34,613	42,320
Interfund Accounts Receivable	8,061	-	-	8,061	-
Grants Receivable	5,253	-	-	5,253	25,650
Other Accounts Receivable	33	-	398	431	3,297
Inventory	-	-	1,397	1,397	2,912
Prepaid Expenses	16,535	-	-	16,535	16,784
<b>TOTAL ASSETS</b>	<u>\$ 1,209,794</u>	<u>\$ 77,493</u>	<u>\$ 69,342</u>	<u>\$ 1,356,629</u>	<u>\$ 1,279,703</u>
<b>LIABILITIES AND FUND BALANCE</b>					
<b>Liabilities</b>					
Interfund Accounts Payable	\$ -	\$ -	\$ 8,061	\$ 8,061	\$ -
Accounts Payable	3,771	-	25,000	28,771	32,841
Retainage Payable	2,326	-	-	2,326	3,944
Accrued Salaries & Benefits	167,128	-	-	167,128	166,492
Payroll Taxes & Deductions Payable	241	-	-	241	241
<b>Total Liabilities</b>	<u>173,466</u>	<u>-</u>	<u>33,061</u>	<u>206,527</u>	<u>203,518</u>
<b>Deferred Inflows of Financial Resources</b>					
Deferred Grant Revenue	8,639	-	-	8,639	9,670
Deferred Revenue	-	-	440	440	1,312
<b>Total Deferred Inflows</b>	<u>8,639</u>	<u>-</u>	<u>440</u>	<u>9,079</u>	<u>10,982</u>
<b>Fund Balance</b>					
Nonspendable Fund Balance	16,535	-	1,397	17,932	19,381
Restricted Fund Balance					
Restricted for TABOR Emergencies	80,000	-	-	80,000	76,000
Committed Fund Balance					
Committed for Food Service	-	-	25,259	25,259	17,513
Assigned Fund Balance					
Assigned for Fund Purposes	-	77,493	9,185	86,678	105,135
Unassigned Fund Balance	931,154	-	-	931,154	847,174
<b>Total Fund Balance</b>	<u>1,027,689</u>	<u>77,493</u>	<u>35,841</u>	<u>1,141,023</u>	<u>1,065,203</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,209,794</u>	<u>\$ 77,493</u>	<u>\$ 69,342</u>	<u>\$ 1,356,629</u>	<u>\$ 1,279,703</u>

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

**Kiowa County School District RE-1**  
**Reconciliation of Governmental Fund Balances**  
**to Governmental Activities Net Position**  
**June 30, 2018**

Fund Balance - Governmental Funds		\$	1,141,023
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds			
Capital assets, not being depreciated	350,507		
Capital assets, being depreciated	3,957,846		
Accumulated depreciation	<u>(2,369,860)</u>		1,938,493
Certain long-term pension related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds			
<b>Pension Liability</b>			
Net pension deferred outflows	2,494,705		
Net pension liability	(8,056,430)		
Net pension deferred inflows	<u>(563,542)</u>		(6,125,267)
<b>OPEB Liability</b>			
Net OPEB deferred outflows	7,308		
Net OPEB liability	(183,975)		
Net OPEB deferred inflows	<u>(3,078)</u>		(179,745)
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.			
Accrued compensated absences/Early retirement obligations			<u>(5,412)</u>
Total Net Position - Governmental Activities		\$	<u>(3,230,908)</u>

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

Kiowa County School District RE-1  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Special Revenue			Totals	
	General Fund	Pupil Activity Fund	Other Governmental Funds	2018	2017
<b>REVENUES</b>					
Local Sources	\$ 652,035	\$ 123,537	\$ 44,727	\$ 820,299	\$ 749,415
Intermediate Sources	138	-	-	138	116
State Sources	1,794,155	-	56,074	1,850,229	1,765,986
Federal Sources	70,620	-	43,120	113,740	105,183
<b>TOTAL REVENUES</b>	<u>2,516,948</u>	<u>123,537</u>	<u>143,921</u>	<u>2,784,406</u>	<u>2,620,700</u>
<b>EXPENDITURES</b>					
Instruction	1,265,226	153,450	-	1,418,676	1,369,433
Pupil Support	44,891	-	-	44,891	44,424
Staff Support	58,398	-	-	58,398	56,550
General Administration	142,783	-	-	142,783	149,212
School Administration	159,062	-	-	159,062	157,708
Business Services	76,649	-	-	76,649	73,740
Operations and Maintenance	280,257	-	-	280,257	277,461
Transportation	135,203	-	-	135,203	124,733
Other Central Support	3,964	-	-	3,964	4,670
Risk Management	20,805	-	-	20,805	21,765
Other Supporting Services	4,323	-	-	4,323	1,827
Food Service	-	-	107,847	107,847	105,341
Facilities	117,341	-	138,386	255,727	298,255
<b>TOTAL EXPENDITURES</b>	<u>2,308,902</u>	<u>153,450</u>	<u>246,233</u>	<u>2,708,585</u>	<u>2,685,119</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	208,046	(29,913)	(102,312)	75,821	(64,419)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) - net	(120,000)	20,000	100,000	-	-
<b>CHANGE IN FUND BALANCE</b>	88,046	(9,913)	(2,312)	75,821	(64,419)
<b>BEGINNING FUND BALANCE</b>	939,643	87,406	38,154	1,065,203	1,129,622
<b>ENDING FUND BALANCE</b>	<u>\$ 1,027,689</u>	<u>\$ 77,493</u>	<u>\$ 35,842</u>	<u>\$ 1,141,024</u>	<u>\$ 1,065,203</u>

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

**Kiowa County School District RE-1**  
**Reconciliation of Governmental Changes in Fund Balance**  
**to Governmental Activities Change in Net Position**  
**For the Year Ended June 30, 2018**

Change in Fund Balance - Governmental Funds	\$	75,821
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Capitalized Asset Purchases	252,767	
Depreciation Expense	(96,724)	
Gain (Loss) on Asset Disposals	<u>(3,411)</u>	152,632
Pension expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
<b>Pension Liability</b>		
Current year changes and amortizations of pension deferred outflows	(357,076)	
Change in net pension liability	(646,388)	
Current year changes and amortizations of pension deferred inflows	<u>(379,655)</u>	(1,383,119)
<b>OPEB Liability</b>		
Current year changes and amortizations of OPEB deferred outflows	1,452	
Change in net OPEB liability	(561)	
Current year changes and amortizations of OPEB deferred inflows	<u>(3,078)</u>	(2,187)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level		
Change in accrued compensated absences		<u>4,311</u>
Changes in Net Position- Governmental Activities	\$	<u>(1,152,542)</u>

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

# KIOWA COUNTY SCHOOL DISTRICT RE-1

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Kiowa County School District RE-1 (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

#### **Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, and as subsequently amended.

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

#### **Basis of Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

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

#### **Fund Financial Statements**

The fund financial statements provide information about the District's funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Basis of Presentation (Continued)**

**Fund Financial Statements (Continued)**

The District reports the following major governmental fund:

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

Pupil Activity Fund – This fund specifically accounts for the District’s student club and organization activity.

The District reports the following non-major governmental funds:

Special Revenue Funds (Food Service Fund) - These funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes. The Food Service Fund accounts for the District’s food service program.

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

**Measurement Focus and Basis of Accounting**

**Government-Wide Financial Statements**

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

**Governmental Fund Financial Statements**

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

KIOWA COUNTY SCHOOL DISTRICT RE-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Measurement Focus and Basis of Accounting** (Continued)

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

**Cash and Investments** - Cash is kept in interest bearing accounts which are comprised of checking accounts and money market accounts which are legally authorized. Cash applicable to a particular fund is readily identifiable. The balance in the cash accounts is available to meet current operating requirements. Investments are recorded at fair value.

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

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

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

**Capital Assets** - Capital assets used in governmental activities operations are shown on the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the expenditure and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

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

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

Buildings and Site Improvements	10-40 years
Vehicles	5-15 years
Other Equipment	15 years

**Vacation, Sick Leave, and Other Compensated Absences** - District employees are entitled to certain compensated absences based on their length of employment. Compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Vacation can be carried over upon the superintendent's approval.

KIOWA COUNTY SCHOOL DISTRICT RE-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

**Deferred Outflows/Inflows of Resources** - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has two items that qualify for reporting in this category, both related to outstanding pension and OPEB obligations and further described in Notes 8 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District reports deferred inflows for property taxes as described above, prepaid student balances and pension and OPEB related deferrals as further described in Notes 8 and 10.

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

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

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

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

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

KIOWA COUNTY SCHOOL DISTRICT RE-1

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

All remaining governmental balances or deficits in the other governmental funds are presented as unassigned.

For the classification of fund and net position balances, the District considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

**Net Position/Fund Balance Flow Assumptions**

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

**Revenues and Expenditures/Expenses**

Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

**Property Tax Revenues** - Property taxes are levied on December 15 based on the assessed value of property as certified by the County Assessor on October 1. Assessed values are an approximation of market value. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

Under Colorado Law, all property taxes become due and payable on January 1, in the year following that in which they are levied. Property taxes are recognized as revenue when payable to the County Treasurer. Uncollected property taxes levied in 2017 for collection in 2018 are identified as property taxes receivable at June 30.

**Comparative Data**

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 2: CASH AND INVESTMENTS**

The following is a reconciliation of cash on the statement of net position to the summary of cash and investments shown below:

Bank deposits	\$ 1,289,652
Cash on hand	<u>250</u>
<b>Total cash and investments</b>	<b><u>\$ 1,289,902</u></b>
<b>Governmental activities</b>	<b><u>\$ 1,289,902</u></b>

**Custodial Credit Risk - Deposits**

In the case of deposits, this is the risk that in the event of bank failure, the government's deposits may not be returned to it. The District's deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The institution's internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools. At June 30, 2018, all of the District's deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

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

	<b>Bank Balance</b>	<b>Carrying Balance</b>
FDIC insured	\$ 250,000	\$ 250,000
PDPA collateralized (Not in District's name)	<u>1,123,727</u>	<u>1,039,652</u>
<b>Total</b>	<b><u>\$ 1,373,727</u></b>	<b><u>\$ 1,289,652</u></b>

# KIOWA COUNTY SCHOOL DISTRICT RE-1

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE 2: CASH AND INVESTMENTS**

#### Investments

##### Credit Risk

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

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

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above.

##### Concentration of Credit Risk

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

##### Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. 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, other than those contained in state statutes.

##### Custodial Credit Risk – Investments

For an investment, 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. As of June 30, 2018, the District did not have any investments requiring safekeeping.

### **NOTE 3: INVENTORIES**

Food Service Fund inventory as of June 30, 2018 consisted of purchased food and supplies and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt. Inventory at June 30, 2018, was valued at \$1,397.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4: CAPITAL ASSETS**

Activity for capital assets which are capitalized by the District is summarized below:

	<b>Balance July 1, 2017</b>	<b>Additions</b>	<b>Deletions &amp; Transfers</b>	<b>Balance June 30, 2018</b>
<b><u>Governmental Activities</u></b>				
Capital Assets Not Being Depreciated				
Construction in Progress	\$ 235,398	\$ 115,109	\$ -	\$ 350,507
Total Capital Assets Not Being Depreciated	<u>235,398</u>	<u>115,109</u>	<u>-</u>	<u>350,507</u>
Capital Assets Being Depreciated				
Buildings	\$ 2,791,483	\$ 129,858	\$ 21,320	\$ 2,900,021
Land Improvements	471,734	7,800	40,700	438,834
Machinery & Equipment	143,850	-	-	143,850
Food Service Equipment	35,350	-	-	35,350
Vehicles	439,791	-	-	439,791
Total Capital Assets Being Depreciated	<u>3,882,208</u>	<u>137,658</u>	<u>62,020</u>	<u>3,957,846</u>
Total Capital Assets	<u>4,117,606</u>	<u>252,767</u>	<u>62,020</u>	<u>4,308,353</u>
Less Accumulated Depreciation:				
Buildings	(1,535,201)	(61,043)	(17,909)	(1,578,335)
Land Improvements	(300,528)	(15,614)	(40,700)	(275,442)
Machinery & Equipment	(97,810)	(5,853)	-	(103,663)
Food Service Equipment	(26,510)	(737)	-	(27,247)
Vehicles	(371,696)	(13,477)	-	(385,173)
Total Accumulated Depreciation	<u>(2,331,745)</u>	<u>(96,724)</u>	<u>(58,609)</u>	<u>(2,369,860)</u>
<b>Net Capital Assets</b>	<b><u>\$ 1,785,861</u></b>	<b><u>\$ 156,043</u></b>	<b><u>\$ 3,411</u></b>	<b><u>\$ 1,938,493</u></b>

Depreciation expense for governmental activities was allocated to activities as follows:

Instruction	\$ 50,661
Supporting Services	<u>46,063</u>
<b>Total Depreciation</b>	<b><u>\$ 96,724</u></b>

The District is required under GASB Statement No. 34, to compute depreciation on all of its capital assets and to record that depreciation on its government-wide financial statements. For the year ended June 30, 2018, depreciation has been charged to governmental activities on the government-wide financial statements. Depreciation is not charged to governmental funds and is accordingly shown as a reconciliation item between the governmental fund and governmental activities presentations. The District does not record infrastructure. All infrastructure type assets have been included as part of the value of the related asset.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, were \$167,128.

**NOTE 6: LONG-TERM OBLIGATIONS**

Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General and Food Service Funds.

Changes in long-term obligations for the year ended June 30, 2018 are as follows:

	<b>Restated Balance July 1, 2017</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance June 30, 2018</b>	<b>Current Portion</b>
PERA Net OPEB Liability	\$ 183,414	\$ 561	\$ -	\$ 183,975	\$ -
PERA Net Pension Liability	7,410,042	646,388	-	8,056,430	-
Accrued Compensated Absences	9,723	-	4,311	5,412	-
<b>Total Long-Term Obligations</b>	<b><u>\$ 7,603,179</u></b>	<b><u>\$ 646,949</u></b>	<b><u>\$ 4,311</u></b>	<b><u>\$ 8,245,817</u></b>	<b><u>\$ -</u></b>

Beginning with the June 30, 2001 fiscal year, the District began offering an early retirement incentive to its teachers and other long-term employees. All teachers and other employees that have been employed by the District for at least 20 years are eligible to receive either \$35,000 upon retirement in the case of teachers or ½ the annual salary of other employees, paid equally in annual installments over the three fiscal years subsequent to retirement. During the year, no teacher opted into this program and there are no current participants.

In addition, the District has recorded an obligation for accrued compensated absences related to leave carryovers at June 30, 2018.

**NOTE 7: JOINTLY GOVERNED ORGANIZATION**

**BOCES**

The District in conjunction with other surrounding districts created the Southeastern Colorado Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the fiscal year ended June 30, 2018, the District paid total BOCES assessments of \$34,978. Financial statements for the BOCES can be obtained from the BOCES administrative office at: 703 South Third, Lamar, CO 81052.

# KIOWA COUNTY SCHOOL DISTRICT RE-1

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### NOTE 8: DEFINED BENEFIT PENSION PLAN

#### **Summary of Significant Accounting Policies**

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

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

#### **General Information about the Pension Plan**

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

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

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

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

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

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

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

*Contribution provisions as of June 30, 2018.* Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

<b>January 1<sup>st</sup> through December 31<sup>st</sup></b>	<b>2014<sup>1</sup></b>	<b>2015<sup>1</sup></b>	<b>2016<sup>1</sup></b>	<b>2017<sup>1</sup></b>
Employer contribution rate	10.15%	10.15%	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%	5.00%
<b>Total employer contribution rate to the SCHDTF</b>	<b>16.43%</b>	<b>17.33%</b>	<b>18.13%</b>	<b>18.63%</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 District were \$214,109 for the plan year ended December 31, 2017 and \$224,789 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$8,056,430 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was .024914%, which was an increase of .0000267% from its proportion measured as of December 31, 2016.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

For the year ended June 30, 2018 the District recognized pension expense of \$1,616,393. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 148,567	\$ -
Changes of assumptions or other inputs	\$ 2,055,573	\$ (13,573)
Net difference between projected and actual earnings on pension plan investments	\$ 166,198	\$ (476,098)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 5,609	\$ (73,871)
Contributions subsequent to the measurement date	\$ 118,758	\$ -
<b>Total</b>	<b>\$ 2,494,705</b>	<b>\$ (563,542)</b>

\$118,758 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2019	1,218,641
2020	705,227
2021	7,562
2022	(119,025)
<b>Total</b>	<b>\$ 1,812,405</b>

*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:

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

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

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

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

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

KIOWA COUNTY SCHOOL DISTRICT RE-1

**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2018

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

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

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

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

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based on a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increase financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on or after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting is a discount rate of 4.78%.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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.

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension asset (liability)	\$ (10,176,641)	\$ (8,056,430)	\$ (6,328,700)

*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).

**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.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

**Changes between the measurement date of the net pension liability and June 30, 2018**  
(Continued)

- 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 \$8,056,430 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.

<b>Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>	<b>Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)</b>
7.25%	\$3,639,825

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 \$3,760,792 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 9: DEFINED CONTRIBUTION PENSION PLAN**

**Voluntary Investment Program**

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

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2018 program members contributed \$14,776.

# KIOWA COUNTY SCHOOL DISTRICT RE-1

## NOTES TO FINANCIAL STATEMENTS

June 30, 2018

### **NOTE 10: OTHER POST-EMPLOYMENT BENEFITS**

#### Health Care Trust Fund

##### **Summary of Significant Accounting Policies**

*OPEB.* 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.

##### *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.

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.

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**General Information about the OPEB Plan** (Continued)

*PERA Benefit Structure*

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

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

*DPS Benefit Structure*

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

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

**General Information about the OPEB Plan** (Continued)

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 \$11,723, for the plan year ended December 31, 2017 and \$12,198 for the fiscal 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 \$683,910 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District's proportion was 0.052625%, which was an increase of .001419% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$44,084. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 3,235	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ (11,442)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ 15,383	\$ -
Contributions subsequent to the measurement date	\$ 22,110	\$ -
Total	\$ 40,728	\$ (11,442)

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

\$22,110 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:	Fiscal Year Totals
2019	\$ 797
2020	797
2021	797
2022	797
2023	3,658
2024	330
Total	\$ 7,176

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

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

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:

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

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

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

KIOWA COUNTY SCHOOL DISTRICT RE-1

NOTES TO FINANCIAL STATEMENTS

June 30, 2018

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

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

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

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

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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:

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

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

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

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

<b>Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates</b>			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB asset (liability)	\$ (665,093)	\$ (683,910)	\$ (706,574)

KIOWA COUNTY SCHOOL DISTRICT RE-1

**NOTES TO FINANCIAL STATEMENTS**

June 30, 2018

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

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

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

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

<b>Sensitivity of the Net OPEB Liability to Changes in the Discount Rate</b>			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	\$ (768,930)	\$ (683,910)	\$ (611,343)

*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).

**NOTE 11: INTERFUND BALANCES**

The District made the following routine transfers for the year ended June 30, 2018

	<b><u>Amount</u></b>
General Fund transfer to Food Service Fund	\$ 25,000
General Fund transfer to Capital Reserve Fund	75,000
General Fund transfer to Pupil Activity Fund	20,000
Food Service Fund transfer from General Fund	(25,000)
Capital Reserve Fund transfer from General Fund	(75,000)
Pupil Activity Fund transfer from General Fund	(20,000)
<b>Net Interfund Transfers</b>	<b><u>\$ -</u></b>

The District also had the following interfund balances related to payroll paid by the General fund for Food Service but not yet remitted back to the General Fund at June 30, 2018:

	<b><u>Amount</u></b>
General Fund Due (To) From	\$ 8,061
Lunch Fund Due (To) From	(8,061)
<b>Net Interfund Balances</b>	<b><u>\$ -</u></b>

## KIOWA COUNTY SCHOOL DISTRICT RE-1

### NOTES TO FINANCIAL STATEMENTS

June 30, 2018

#### **NOTE 12: SUMMARY DISCLOSURE OF SIGNIFICANT CONTINGENCIES AND COMMITMENTS**

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

Tabor Amendment - In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. Revenue received in excess of the limitations may be required to be refunded unless the District's electorate vote to retain the revenue.

In November of 1996, the voters of the District approved a ballot measure which allows the District to retain, appropriate, and utilize the full revenues received from every source whatever, without limitation, in 1996 and all subsequent years. The Tabor Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. The District has reserved the General Fund's fund balance in the amount of \$80,000 pursuant to the Amendment's 3% Emergency Reserve requirement.

#### **NOTE 13: RISK MANAGEMENT**

##### Property and Liability Coverage

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

The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member's premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing. Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually.

These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2018.

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

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

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2018**

**NOTE 13: RISK MANAGEMENT(Continued)**

Workers Compensation

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

**NOTE 14: DEFICIT NET POSITION**

The Governmental Activities has an overall deficit net position of \$3,234,841 and an unrestricted net position deficit of \$5,253,334, primarily due to the PERA net pension liability of \$8,056,430, as further described in Note 8 and the HCTF net OPEB liability of \$183,975 as discussed further in Note 10. As the District has no control over pension and OPEB benefits or contribution rates, the District expects this deficit net position to continue for the foreseeable future.

**NOTE 15: BUDGET VIOLATION**

The District's expenditures exceeded appropriations in the Capital Reserve Projects Fund by \$(57,609). This may be a violation of State statutes.

**NOTE 16: PRIOR PERIOD RESTATEMENT**

For the fiscal year, the District adopted GASB Statement Number 68 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement places a long-term obligation, as well as related deferred outflows and inflows, on the Statement of Net Position related to future postemployment benefit obligations. The District has restated the beginning net position for the governmental activities for those balances that were applicable as of June 30, 2017. This restatement resulted in a net decrease in governmental activity net position of \$(177,558).

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**REQUIRED SUPPLEMENTARY INFORMATION**  
(Pension Schedules - Unaudited)

KIOWA COUNTY SCHOOL DISTRICT RE-1

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
District's proportion of the net pension asset (liability)	0.024914%	0.024888%	0.025902%
District's proportionate share of the net pension asset (liability)	\$ (8,056,430)	\$ (7,410,042)	\$ (3,961,454)
District's covered payroll	\$ 1,149,272	\$ 1,104,819	\$ 1,128,782
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	701.00%	670.70%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.16%

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

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

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
0.026493%	0.270790%
\$ (3,590,677)	\$ (3,453,863)
\$ 1,109,862	\$ 1,091,623
323.52%	316.40%
62.84%	64.07%

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS**

**PERA Pension Plan**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>
Contractually required contributions	\$ 214,109	\$ 200,304	\$ 195,618
Actual contributions	<u>\$ (214,109)</u>	<u>\$ (200,304)</u>	<u>\$ (195,618)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,149,272	\$ 1,104,819	\$ 1,128,782
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%

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

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

See the accompanying Independent Auditors' Report.

<u>6/30/15</u>	<u>6/30/14</u>
\$ 182,350	\$ 169,529
<u>(182,350)</u>	<u>(169,529)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 1,109,862	\$ 1,091,623
16.43%	15.53%

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

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

	<u>06/30/18</u>	<u>06/30/17</u>
District's proportion of the net pension asset (liability)	0.014156%	0.014146%
District's proportionate share of the net pension asset (liability)	\$ (183,975)	\$ (183,414)
District's covered payroll	\$ 1,149,272	\$ 4,043,159
District's proportionate share of the net pension asset (liability) as a percentage of covered payroll	16.01%	4.54%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

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

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

See the accompanying Independent Auditors' Report.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERA Health Care Trust Fund**

**Last 10 Fiscal Years<sup>(1)</sup>**

	<u>06/30/18</u>	<u>06/30/17</u>
Contractually required contributions	\$ 11,723	\$ 41,240
Actual contributions	<u>(11,723)</u>	<u>(41,240)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,149,272	\$ 4,043,159
Contributions as a percentage of covered payroll	1.02%	1.02%

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

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

See the accompanying Independent Auditors' Report.

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**REQUIRED SUPPLEMENTARY INFORMATION**  
(Budgetary Comparison Schedules)

Kiowa County School District RE-1  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2018  
 (With Comparative Totals for the Year Ended June 30, 2017)

	2018			
	Original & Final		Variance with Final	2017
	Budget	Actual	Budget	Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Property Taxes	\$ 440,991	\$ 480,596	\$ 39,605	\$ 478,185
Specific Ownership Taxes	77,294	74,876	(2,418)	71,163
Delinquent Taxes	2,000	2,933	933	2,279
Tuition From Individuals	3,000	6,600	3,600	3,450
Tuition Within the BOCES	-	9,450	9,450	5,850
Transportation Fees	2,400	2,350	(50)	2,450
Investment Earnings	3,000	4,028	1,028	3,518
Local BOCES Passthrough	-	-	-	805
Insurance Proceeds	-	8,594	8,594	-
Other Local	10,000	62,609	52,609	29,161
Total Local Sources	538,685	652,036	113,351	596,861
<b>Intermediate Sources</b>				
Mineral Leases	230	138	(92)	116
<b>State Sources</b>				
State Equalization	1,644,966	1,556,163	(88,803)	1,514,491
Transportation	29,000	34,717	5,717	30,186
State Grants from CDE				
State Gifted and Talented	3,000	-	(3,000)	-
School Counselor Grant	-	-	-	-
Read Act	1,600	4,744	3,144	-
State Library Grant	3,500	3,500	-	3,500
Small Rural Schools	-	63,041	63,041	-
Additional At-Risk	908	1,075	167	-
State Vocational Education	20,715	19,076	(1,639)	7,257
Other Agency State Grants	-	96,805	96,805	184,594
State Grants Provided through BOCES	10,650	15,034	4,384	24,887
Total State Sources	1,714,339	1,794,155	79,816	1,764,915
<b>Federal Sources</b>				
Federal Grants from CDE				
NCLB Title I, Part A - Improving Basic Programs	24,000	23,879	(121)	24,146
	-	10,000	10,000	-
NCLB Title II, Part A - Teacher & Principal Training	12,000	4,510	(7,490)	11,722
RTTT Early Childhood	-	139	139	125
Title IA - Distinguished Schs Award Prgm	-	10,000	10,000	10,000
NCLB Title VI, Part B - REAP/Rural Education	10,000	17,676	7,676	14,304
Federal Provided through BOCES	-	4,416	4,416	-
Total Federal Sources	46,000	70,620	24,620	60,297
<b>TOTAL REVENUES</b>	<b>2,299,254</b>	<b>2,516,949</b>	<b>217,695</b>	<b>2,422,189</b>

See the accompanying Independent Auditors' Report

(Continued)

Kiowa County School District RE-1  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 General Fund  
 For the Year Ended June 30, 2018  
 (With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017
	Original & Final Budget	Actual		Actual
(Continued)				
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries	784,526	845,305	(60,779)	826,284
Benefits	338,182	299,257	38,925	285,308
PS - Professional	8,346	4,283	4,063	6,213
PS - Property	3,690	-	3,690	-
PS - Other	16,927	24,005	(7,078)	27,387
Supplies	33,966	46,572	(12,606)	41,526
Property	10,375	44,578	(34,203)	32,012
Other Expenses	8,477	1,227	7,250	524
Total Instruction	<u>1,204,489</u>	<u>1,265,227</u>	<u>(60,738)</u>	<u>1,219,254</u>
<b>Supporting Services</b>				
<b>Pupil Support</b>				
PS - Professional	9,600	9,004	596	9,549
PS - Other	34,550	35,598	(1,048)	34,711
Supplies	610	289	321	164
Property	270	-	270	-
Total Pupil Support	<u>45,030</u>	<u>44,891</u>	<u>139</u>	<u>44,424</u>
<b>Staff Support</b>				
Salaries	34,818	34,512	306	33,017
Benefits	15,656	11,125	4,531	9,391
PS - Professional	450	1,685	(1,235)	170
PS - Property	675	-	675	-
PS - Other	8,225	1,728	6,497	3,780
Supplies	7,900	9,300	(1,400)	10,192
Property	-	18	(18)	-
Other Expenses	7,700	30	7,670	-
Total Staff Support	<u>75,424</u>	<u>58,398</u>	<u>17,026</u>	<u>56,550</u>
<b>General Administration</b>				
Salaries	70,650	72,150	(1,500)	72,041
Benefits	25,261	20,420	4,841	22,342
PS - Professional	9,275	8,382	893	7,862
PS - Other	10,245	8,682	1,563	10,505
Supplies	3,200	1,489	1,711	2,340
Property	6,450	5,873	577	5,870
Other Expenses	26,875	25,787	1,088	28,252
Total General Administration	<u>151,956</u>	<u>142,783</u>	<u>9,173</u>	<u>149,212</u>
<b>School Administration</b>				
Salaries	114,700	115,300	(600)	110,034
Benefits	44,664	40,488	4,176	43,555
PS - Professional	-	-	-	225
PS - Property	225	-	225	-
PS - Other	1,135	99	1,036	446
Supplies	3,300	3,078	222	3,380
Property	930	-	930	-
Other Expenses	1,250	97	1,153	68
Total School Administration	<u>166,204</u>	<u>159,062</u>	<u>7,142</u>	<u>157,708</u>

See the accompanying Independent Auditors' Report

(Continued)

Kiowa County School District RE-1  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
General Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017
	Original & Final Budget	Actual		Actual
(Continued)				
<b>EXPENDITURES (Continued)</b>				
<b>Supporting Services (Continued)</b>				
<b>Business Services</b>				
Salaries	47,520	49,747	(2,227)	45,730
Benefits	14,069	14,340	(271)	15,682
PS - Professional	10,000	9,669	331	9,780
PS - Other	300	315	(15)	210
Supplies	2,000	2,463	(463)	1,758
Property	1,350	-	1,350	551
Other Expenses	90	115	(25)	29
Total Business Services	<u>75,329</u>	<u>76,649</u>	<u>(1,320)</u>	<u>73,740</u>
<b>Operations and Maintenance</b>				
Salaries	89,384	79,631	9,753	73,600
Benefits	29,209	27,086	2,123	24,196
PS - Professional	14,400	17,124	(2,724)	19,775
PS - Property	17,680	19,800	(2,120)	18,443
PS - Other	20,500	25,208	(4,708)	26,752
Supplies	102,300	105,866	(3,566)	109,589
Property	2,800	5,542	(2,742)	4,624
Other Expenses	270	-	270	482
Total Operations and Maintenance	<u>276,543</u>	<u>280,257</u>	<u>(3,714)</u>	<u>277,461</u>
<b>Transportation</b>				
Salaries	59,112	65,219	(6,107)	62,346
Benefits	20,271	21,648	(1,377)	22,529
PS - Property	6,000	8,041	(2,041)	4,080
PS - Other	5,500	6,886	(1,386)	6,393
Supplies	26,400	30,679	(4,279)	26,479
Property	450	-	450	-
Other Expenses	2,850	2,730	120	2,906
Total Transportation	<u>120,583</u>	<u>135,203</u>	<u>(14,620)</u>	<u>124,733</u>
<b>Other Central Support</b>				
Salaries	1,311	2,000	(689)	2,000
Benefits	285	804	(519)	809
PS - Professional	5,000	304	4,696	276
Supplies	1,000	856	144	1,585
Total Other Central Support	<u>7,596</u>	<u>3,964</u>	<u>3,632</u>	<u>4,670</u>
<b>Risk Management</b>				
PS - Other	<u>22,050</u>	<u>20,805</u>	<u>1,245</u>	<u>21,765</u>
<b>Other Supporting Services</b>				
Property	<u>3,500</u>	<u>4,323</u>	<u>(823)</u>	<u>1,827</u>
<b>Facilities/Capital Outlay</b>				
PS - Professional	-	-	-	3,300
PS - Property	-	12,429	(12,429)	13,675
Buildings	-	104,913	(104,913)	223,014
Total Facilities/Capital Outlay	<u>-</u>	<u>117,342</u>	<u>(117,342)</u>	<u>239,989</u>
<b>Contingency</b>	<u>957,508</u>	<u>-</u>	<u>957,508</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>3,106,212</u>	<u>2,308,904</u>	<u>797,308</u>	<u>2,371,333</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(806,958)	208,045	1,015,003	50,856
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>	<u>(70,000)</u>
<b>CHANGE IN FUND BALANCE</b>	(926,958)	88,045	1,015,003	(19,144)
<b>BEGINNING FUND BALANCE</b>	926,958	939,643	12,685	958,787
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 1,027,688</u>	<u>\$ 1,027,688</u>	<u>\$ 939,643</u>

See accompanying Independent Auditors' Report.

Kiowa County School District RE-1  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Pupil Activity Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018		Variance with Final Budget	2017 Actual
	Original & Final Budget	Actual		
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 150	\$ 176	\$ 26	\$ 171
Pupil Activity Revenues	110,000	123,361	13,361	107,391
<b>TOTAL REVENUES</b>	<u>110,150</u>	<u>123,537</u>	<u>13,387</u>	<u>107,562</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
PS - Professional	55,522	9,562	45,960	10,751
Supplies	141,361	143,888	(2,527)	134,470
<b>TOTAL EXPENDITURES</b>	<u>196,883</u>	<u>153,450</u>	<u>43,433</u>	<u>145,221</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(86,733)	(29,913)	56,820	(37,659)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	20,000	20,000	-	20,000
<b>CHANGE IN FUND BALANCE</b>	(66,733)	(9,913)	56,820	(17,659)
<b>BEGINNING FUND BALANCE</b>	66,733	87,406	20,673	105,065
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 77,493</u>	<u>\$ 77,493</u>	<u>\$ 87,406</u>

See accompanying Independent Auditors' Report.

**KIOWA COUNTY SCHOOL DISTRICT RE-1**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2018**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Budgets and Budgetary Accounting**

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

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By May 31, the Superintendent of Schools submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year end.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- The District has until January 31st of each year to revise the budget.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Education.
- Encumbrances represent a commitment for the estimated amount of expenditures which could ultimately result from the fulfillment of uncompleted purchase orders and contracts. Encumbrances lapse at the end of each fiscal year (June 30). Lapsed encumbrances are then reviewed by department heads to determine those which will remain canceled and those which will be reinstated and paid from appropriations for the following year. Encumbrances are therefore not considered expenditures until an actual liability is incurred. Encumbrances are not shown as a reservation of fund balance at fiscal year-end because they have lapsed and are pending reinstatement.

**OTHER SUPPLEMENTARY INFORMATION**

Kiowa County School District RE-1  
 Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2018  
 (With Comparative Totals for June 30, 2017)

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>	
		<u>Capital Reserve</u>		
	<u>Food Service Fund</u>	<u>Project Fund</u>	<u>2018</u>	<u>2017</u>
<b>ASSETS</b>				
Cash and Investments	\$ 33,362	\$ 34,185	\$ 67,547	\$ 36,176
Other Accounts Receivable	398	-	398	378
Inventory	1,397	-	1,397	2,912
<b>TOTAL ASSETS</b>	<u>\$ 35,157</u>	<u>\$ 34,185</u>	<u>\$ 69,342</u>	<u>\$ 39,466</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
<b>Liabilities</b>				
Interfund Accounts Payable	\$ 8,061	\$ -	\$ 8,061	\$ -
Accounts Payable	-	25,000	25,000	-
<b>Total Liabilities</b>	<u>8,061</u>	<u>25,000</u>	<u>33,061</u>	<u>-</u>
<b>Deferred Inflows of Financial Resources</b>				
Deferred Revenue	440	-	440	1,312
<b>Fund Balance</b>				
Nonspendable Fund Balance	1,397	-	1,397	2,912
Committed Fund Balance				
Committed for Food Service	25,259	-	25,259	17,513
Assigned Fund Balance				
Assigned for Fund Purposes	-	9,185	9,185	17,729
<b>Total Fund Balance</b>	<u>26,656</u>	<u>9,185</u>	<u>35,841</u>	<u>38,154</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 35,157</u>	<u>\$ 34,185</u>	<u>\$ 69,342</u>	<u>\$ 39,466</u>

See accompanying Independent Auditors' Report.

Kiowa County School District RE-1  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	Special Revenue	Capital Projects	Totals	
	Food Service Fund	Capital Reserve Project Fund	2018	2017
<b>REVENUES</b>				
Local Sources	\$ 44,666	\$ 61	\$ 44,727	\$ 44,992
State Sources	1,293	54,781	56,074	1,070
Federal Sources	43,120	-	43,120	44,886
<b>TOTAL REVENUES</b>	<u>89,079</u>	<u>54,842</u>	<u>143,921</u>	<u>90,948</u>
<b>EXPENDITURES</b>				
Instruction	-	-	-	4,958
Food Service	107,847	-	107,847	105,341
Facilities	-	138,386	138,386	58,265
<b>TOTAL EXPENDITURES</b>	<u>107,847</u>	<u>138,386</u>	<u>246,233</u>	<u>168,564</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(18,768)	(83,544)	(102,312)	(77,616)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer In (Out) - net	25,000	75,000	100,000	50,000
<b>CHANGE IN FUND BALANCE</b>	6,232	(8,544)	(2,312)	(27,616)
<b>BEGINNING FUND BALANCE</b>	<u>20,425</u>	<u>17,729</u>	<u>38,154</u>	<u>65,770</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 26,657</u>	<u>\$ 9,185</u>	<u>\$ 35,842</u>	<u>\$ 38,154</u>

See accompanying Independent Auditors' Report.

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## SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes.

The District has two special revenue funds as follows:

### Food Service Fund

This fund accounts for all financial activities associated with the District school lunch program.

Kiowa County School District RE-1  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Food Service Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			
	Original & Final		Variance with Final	2017
	Budget	Actual	Budget	Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 45	\$ 33	\$ (12)	\$ 52
Food Service Revenue	46,409	44,634	(1,775)	44,815
Total Local Sources	46,454	44,667	(1,787)	44,867
<b>State Sources</b>				
State Grants from CDE				
State Match - Child Nutrition	700	740	40	717
Smart Start Nutrition	250	200	(50)	108
State K-2 Reduced Lunch	250	353	103	245
Total State Sources	1,200	1,293	93	1,070
<b>Federal Sources</b>				
Federal Grants from CDE				
School Breakfast Program	7,100	9,050	1,950	7,747
National School Lunch Program	29,000	29,524	524	30,678
Federal Grants from Other State Agencies				
Commodities	5,000	4,546	(454)	6,461
Total Federal Sources	41,100	43,120	2,020	44,886
<b>TOTAL REVENUES</b>	<b>88,754</b>	<b>89,080</b>	<b>326</b>	<b>90,823</b>
<b>EXPENDITURES</b>				
<b>Supporting Services</b>				
<b>Food Service</b>				
Salaries	36,869	40,318	(3,449)	38,806
Benefits	18,370	18,912	(542)	18,379
PS - Property	100	-	100	-
PS - Other	430	474	(44)	483
Supplies	2,521	2,314	207	2,645
Food	42,986	41,284	1,702	38,567
Commodities	5,000	4,546	454	6,461
Property	7,478	-	7,478	-
Total Food Service	113,754	107,848	5,906	105,341
<b>Contingency</b>	<b>18,628</b>	<b>-</b>	<b>18,628</b>	<b>-</b>
<b>TOTAL EXPENDITURES</b>	<b>132,382</b>	<b>107,848</b>	<b>24,534</b>	<b>105,341</b>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	<b>(43,628)</b>	<b>(18,768)</b>	<b>24,860</b>	<b>(14,518)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	25,000	25,000	-	25,000
<b>CHANGE IN FUND BALANCE</b>	<b>(18,628)</b>	<b>6,232</b>	<b>24,860</b>	<b>10,482</b>
<b>BEGINNING FUND BALANCE</b>	<b>18,628</b>	<b>20,425</b>	<b>1,797</b>	<b>9,943</b>
<b>ENDING FUND BALANCE</b>	<b>\$ -</b>	<b>\$ 26,657</b>	<b>\$ 26,657</b>	<b>\$ 20,425</b>

See accompanying Independent Auditors' Report.

## CAPITAL PROJECTS FUND

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

Kiowa County School District RE-1  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Reserve Project Fund  
For the Year Ended June 30, 2018  
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			2017 Actual
	Original & Final Budget	Actual	Variance with Final Budget	
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 50	\$ 61	\$ 11	\$ 125
<b>State Sources</b>				
Best Capital Construction Program	-	54,781	54,781	-
<b>TOTAL REVENUES</b>	<u>50</u>	<u>54,842</u>	<u>54,792</u>	<u>125</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Property	<u>10,162</u>	<u>-</u>	<u>10,162</u>	<u>4,958</u>
<b>Facilities/Capital Outlay</b>				
Land and Improvements	26,668	7,800	18,868	56,115
Buildings	<u>38,220</u>	<u>130,586</u>	<u>(92,366)</u>	<u>2,150</u>
Total Facilities/Capital Outlay	<u>64,888</u>	<u>138,386</u>	<u>(73,498)</u>	<u>58,265</u>
<b>Contingency</b>	<u>5,727</u>	<u>-</u>	<u>5,727</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>80,777</u>	<u>138,386</u>	<u>(57,609)</u>	<u>63,223</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(80,727)	(83,544)	(2,817)	(63,098)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>25,000</u>
<b>CHANGE IN FUND BALANCE</b>	(5,727)	(8,544)	(2,817)	(38,098)
<b>BEGINNING FUND BALANCE</b>	<u>5,727</u>	<u>17,729</u>	<u>12,002</u>	<u>55,827</u>
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 9,185</u>	<u>\$ 9,185</u>	<u>\$ 17,729</u>

See accompanying Independent Auditors' Report.

## **STATE COMPLIANCE**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1430 - EADS RE-1  
 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	939,643		2,332,898		2,244,852		1,027,689
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		64,050		64,050		0
<b>Sub- Total</b>	<b>939,643</b>		<b>2,396,948</b>		<b>2,308,903</b>		<b>1,027,689</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	20,425		114,079		107,848		26,657
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	87,406		143,537		153,450		77,493
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	17,729		129,842		138,387		9,185
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>1,065,205</b>		<b>2,784,406</b>		<b>2,708,587</b>		<b>1,141,023</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	0		0		0		0
79 GASB 34:Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>

FINAL



**Colorado Department of Education**  
**Bolded Balance Sheet Report**

District: 1430 - EADS RE-1  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	1,139,145	0	5,720	77,493	0	33,362	0	34,185	0	0	0	0	0	0	1,289,906
Cash with Fiscal Agent (8105)	434	0	0	0	0	0	0	0	0	0	0	0	0	0	434
Taxes Receivable (8121,8122)	34,613	0	0	0	0	0	0	0	0	0	0	0	0	0	34,613
Interfund Loans Receivable (8131,8132)	8,061	0	0	0	0	0	0	0	0	0	0	0	0	0	8,061
Grants Accounts Receivable (8142)	5,253	0	0	0	0	0	0	0	0	0	0	0	0	0	5,253
Other Receivables (8151-8154,8161)	34	0	0	0	0	398	0	0	0	0	0	0	0	0	432
Inventories (8171,8172,8173)	0	0	0	0	0	1,397	0	0	0	0	0	0	0	0	1,397
Prepaid Expenses 8181,8182)	16,535	0	0	0	0	0	0	0	0	0	0	0	0	0	16,535
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>1,204,075</b>	<b>0</b>	<b>5,720</b>	<b>77,493</b>	<b>0</b>	<b>35,157</b>	<b>0</b>	<b>34,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,356,630</b>

See accompanying Independent Auditors' Report

Proprietary

Governmental

Fiduciary

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>LIABILITIES &amp; FUND EQUITY</b>															
<b>LIABILITIES</b>															
Interfund Payables (7401,7402)	0	0	0	0	0	8,061	0	0	0	0	0	0	0	0	8,061
Other Payables (7421-7423)	3,756	0	15	0	0	0	0	25,000	0	0	0	0	0	0	28,771
Contracts Payable (7431-7433)	2,326	0	0	0	0	0	0	0	0	0	0	0	0	0	2,326
Accrued Expenses (7461)	161,593	0	5,535	0	0	0	0	0	0	0	0	0	0	0	167,128
Payroll Ded. and Withholdings (7471-7473)	72	0	170	0	0	0	0	0	0	0	0	0	0	0	241
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Grants Deferred Revenue (7482)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities (7491,7492,7499)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow Grants (7801)	8,639	0	0	0	0	440	0	0	0	0	0	0	0	0	9,079
<b>Total Liabilities</b>	<b>176,386</b>	<b>0</b>	<b>5,720</b>	<b>0</b>	<b>0</b>	<b>8,500</b>	<b>0</b>	<b>25,000</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>215,607</b>

**Governmental**

**Proprietary**

**Fiduciary**

<b>FUND EQUITY</b>	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	16,535	0	0	0	0	1,397	0	0	0	0	0	0	0	0	17,932
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	80,000	0	0	0	0	0	0	0	0	0	0	0	0	0	80,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	25,260	0	0	0	0	0	0	0	0	25,260
Assigned Fund Balance 6760	0	0	0	77,493	0	0	0	9,185	0	0	0	0	0	0	86,678
Unassigned Fund Balance 6770	931,154	0	0	0	0	0	0	0	0	0	0	0	0	0	931,154
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>1,027,689</b>	<b>0</b>	<b>0</b>	<b>77,493</b>	<b>0</b>	<b>26,657</b>	<b>0</b>	<b>9,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,141,023</b>

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>Total Liabilities &amp; Fund Equity</b>	<b>1,204,075</b>	<b>0</b>	<b>5,720</b>	<b>77,493</b>	<b>0</b>	<b>35,157</b>	<b>0</b>	<b>34,185</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,356,630</b>

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
<b>Do Assets=Liability+Fund Equity</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes