

cPa DIXON, WALLER & CO., INC.

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PROWERS COUNTY

SCHOOL DISTRICT RE-1

GRANADA, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2018

DIXON, WALLER & CO., INC.

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SCHOOL DISTRICT RE-1  
FINANCIAL STATEMENTS  
JUNE 30, 2018

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

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BOARD OF EDUCATION

Regina Jo Dorenkamp	President
Leonel Morales	Vice-President
Natalie Musick	Treasurer
Rita Marquez	Secretary
Andria Riddle	Member
David Holden	Member

SCHOOL OFFICIALS

Ty Kemp	Superintendent
Linda Bezona	Business Manager

FINANCIAL SECTION

164 E. MAIN  
TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

Board of Education  
Prowers County School District RE-1  
Granada, Colorado 81041

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

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

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

**Auditor's Responsibility**

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

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

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

## Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and other post employment benefits trend data on pages i through x and 42 through 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prowers County School District RE-1's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Trinidad, Colorado  
November 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

**PROWERS COUNTY SCHOOL DISTRICT RE-1 GRANADA**  
**Management's Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2018**

As management of the Prowers County School District RE-1, we offer readers of the Prowers County School District RE-1's financial statements this narrative overview and analysis of the financial activities of the Prowers County School District RE-1 for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the District's financial statements, which follow this section.

**Financial Highlights**

- The District's governmental activities increased \$290,674 over the course of the 2018 fiscal year. Total net assets decreased 12 percent, due to the GASB 68 rule which requires the District to show a Net Pension Obligation of \$9,352,823. Net Position is no longer divided between governmental activities and business-type activities.
- General revenues, primarily property taxes and state equalization payments, account for approximately \$2,344,330 or 82 percent of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions, accounted for \$498,903 or 17 percent of total revenues of \$2,866,929.
- The District had \$4,288,365 in expenses related to governmental activities; \$498,903 of these expenses were offset by program specific charges for services, grants and contributions.
- Outlays for capital assets were primarily comprised of the purchase of labor and materials for major repairs to the activity busses and purchase of new busses.
- Business-type activities are no longer separated out since the Food Service fund changed from an Enterprise Fund to a Special Revenue Fund as of July 1, 2014. Revenue in the food service fund from charges for services and operating grants and contributions was not sufficient to cover expenses in the 2017 fiscal year. \$50,000 was transferred from the General fund.
- The District was required to implement GASB 75 resulting in a net other post-employment benefit (OPEB) liability of \$204,278. Under GASB 75 the District's proportionate share of the OPEB liability of the Colorado state retirement system Health Care Trust Fund administered by the Public Employees Retirement Association, is recorded as a liability of the District. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. Beginning net position of governmental activities decreased as a result of this change.

- Upon implementation of GASB 75, the beginning net position of governmental activities decreased \$215,032 to \$(370,845) from \$(155,813) at the end of the previous fiscal year. Fiscal year 2017 financial information has not been restated because some of the comparable information is not available

## **Overview of the Financial Statements**

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements, Statement of Net Position and Statement of Activities are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services such as instruction were financed in the short term as well as what remains for future spending.
- Proprietary funds statements offer short-and long-term financial information about the activities the District operates like businesses, such as food service.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements, and includes a comparison to the District's budget for the year.

## **District-wide Financial Statements**

The district-wide financial statements are designed to provide readers a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the Prowers County School District RE-1's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Prowers County School District RE-1 is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of

the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes)

The district-wide financial statement no longer distinguishes functions of the District that were principally supported by taxes and intergovernmental revenues (government activities) from other functions that were intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Governmental activities now include the District's basic services such as regular and special education, transportation, administration, and food services.

The district-wide financial statements can be found on pages 3 & 4 of this report.

### **Fund Financial Statements**

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to track specific sources of funding and spending on particular programs. The Prowers County School District RE-1, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The District's funds are divided into two categories: governmental funds and proprietary funds.

*Governmental Funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, additional information in the reconciliation of the governmental funds statements explains the relationship (or differences) between them.

Prowers County School District RE-1 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, which is reported as a major fund. The pupil activity and food service is reported as non-major funds.

*Proprietary funds:* Until the 2014-15 school year, Food Service had been an Enterprise fund and was presented under business-type activities in the district-wide financial statements. It is now presented under other governmental funds. The depreciation expense was dropped when Food Service changed to a special revenue fund. Prowers County School District RE-1 has no proprietary funds.

Non-major Governmental Funds provide the same type of information as the district-wide financial statements, only in more detail. The non-major governmental fund

financial statement provides separate information for the nutrition services and pupil activity.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 12-27 of this report.

**Other information**

In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. Supplementary information includes statements budget-to-actual information for all funds as dictated by state law.

**District-wide Financial Analysis**

The fiscal year ended June 30, 2018, is the fourteenth year in which the financial statements of the District are reported following GASB Statement 34. Therefore, comparative information to the prior year is available for this section of the Management Discussion and Analysis.

Table 1 provides a summary of the district’s net position at June 30, 2017 & June 30, 2018.

**Table 1  
Condensed Statement of Net Position**

	<b>Governmental</b>	<b>Business-type</b>	<b>2018 Total</b>	<b>2017 Total</b>
	<b>Activities</b>	<b>Activities</b>	<b>School District</b>	<b>School District</b>
Current and Other Assets	\$ 2,972,609	-	\$ 2,972,609	\$ 2,748,858
Capital Assets - Net	2,785,879	-	2,785,879	2,886,902
Deferred Outflows	<u>2,751,638</u>		<u>2,751,638</u>	<u>3,309,253</u>
<b>Total Assets and Flows</b>	8,510,126	-	8,510,126	8,945,013
Current Liabilities	9,352,823	-	9,352,823	8,858,553
Long Term Liabilities	-	-	-	-
Deferred Inflows	<u>888,182</u>	-	<u>888,182</u>	<u>242,273</u>
<b>Total Liabilities</b>	10,241,005	-	10,241,005	9,100,826
<b>Net Position</b>				
Net Investment in Capital Assets	2,785,879	-	2,785,879	2,886,902
Restricted For:				
Tabor Reserve	83,000		83,000	76,000
Preschool	3,080	-	3,080	3,080
Food Service	11,312		11,312	26,440
Unrestricted (Deficit)	<u>(4,614,150)</u>	-	<u>(4,614,150)</u>	<u>(3,148,235)</u>
<b>Total net assets at June 30</b>	<u>(1,730,879)</u>	-	<u>(1,730,879)</u>	<u>(\$ 155,813)</u>

Table 2 provides a summary of the changes in net assets. Following Table 2 is a specific discussion related to overall revenues and expenses.

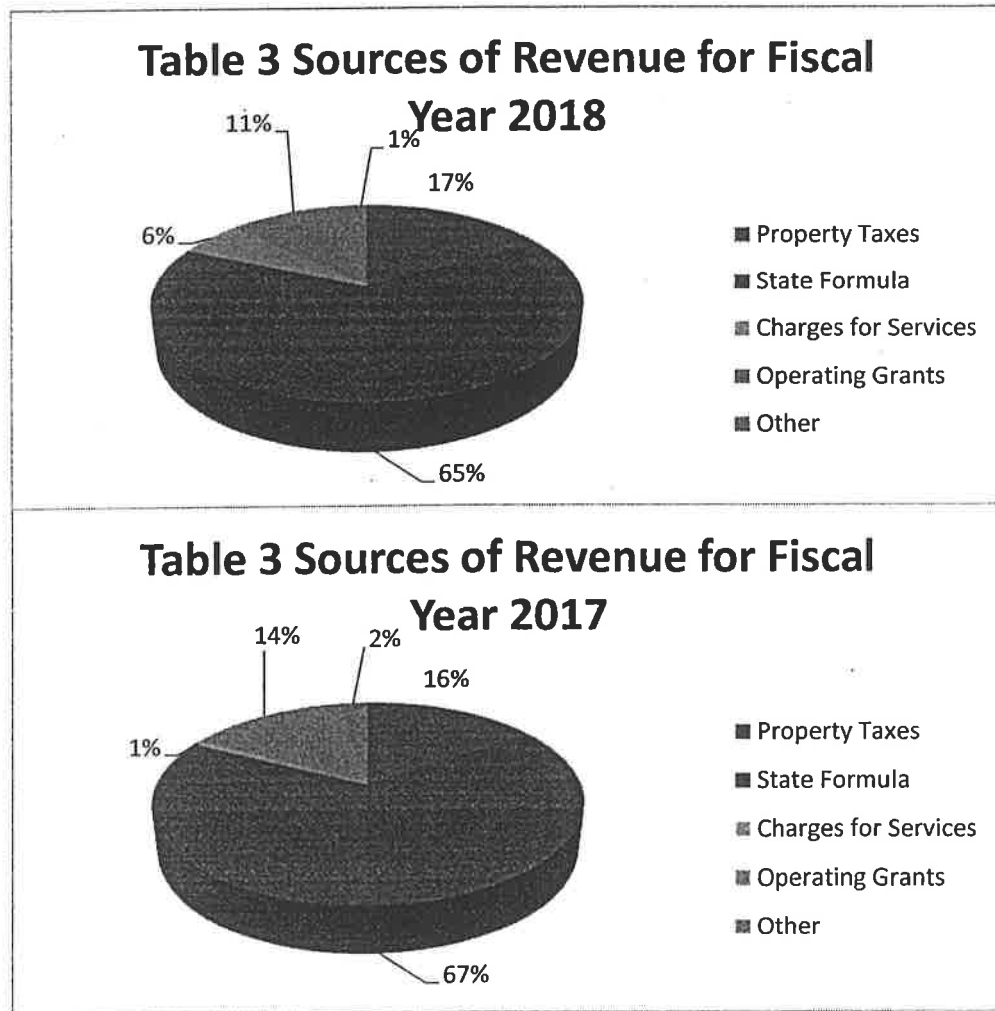
**Table 2**  
**Changes in Net Position From Operating Results**

	Governmental Activities	Business- Type Activities	2018 Total School District	2017 Total School District
<b>Revenues</b>				
Capital Grants & Contributions	\$ 6,270	\$ -	\$ 6,270	-
Charges for Services	162,859	-	\$ 162,859	\$ 21,099
Operating Grants & Contributions	329,774	-	\$ 329,774	383,111
<b>General Revenues</b>				
Property Taxes	483,656		483,656	435,399
State Equalization	1,860,674		1,860,674	1,851,899
Other	16,621	-	16,621	10,057
Other Revenue	68,477		68,477	62,232
Transfers	-	-	-	-
<b>Total Revenues</b>	<b>2,928,331</b>	<b>-</b>	<b>2,928,331</b>	<b>2,763,797</b>
<b>Expenses</b>				
Instruction	1,565,662	-	1,565,662	1,667,615
<b>Support Services:</b>				
Students	62,523	-	62,523	60,128
Instructional Staff	70,293	-	70,293	68,028
General Administration	214,012	-	214,012	212,693
School Administration	41,826	-	41,826	33,144
Operations and Maintenance	397,891	-	397,891	414,060
Student Transportation	129,287	-	129,287	157,742
Central Supporting Services	70,096	-	70,096	56,379
Other Support	35,435	-	35,435	38,099
Capital Outlay	-	-	-	-
Food Service Operations	153,980	-	153,980	159,611
Transfers	-	-	-	-
Pension Amortization	1,547,360	-	1,547,360	1,269,441
<b>Total Expenses</b>	<b>4,288,365</b>	<b>-</b>	<b>4,288,365</b>	<b>4,136,940</b>
<b>Increase (Decrease) in Net Position</b>	<b>\$ (1,360,034)</b>	<b>\$ -</b>	<b>\$ (1,360,034)</b>	<b>\$ (1,373,143)</b>

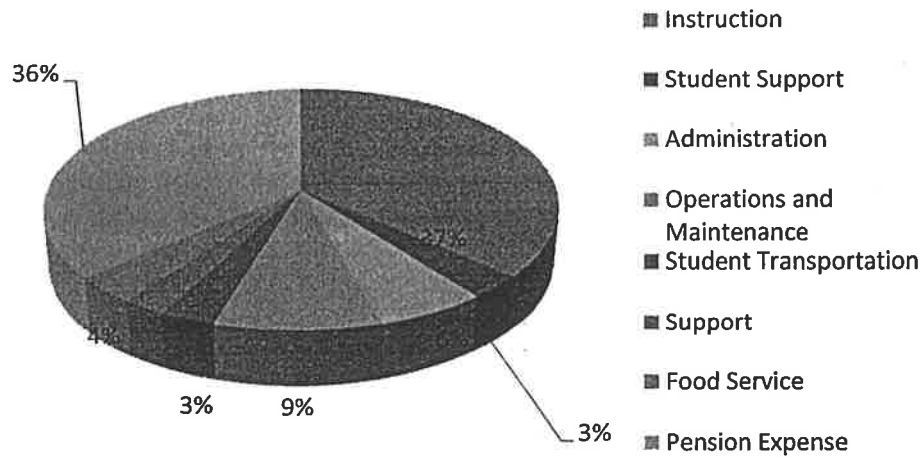
Property taxes and per pupil state formula revenue (state equalization) account for most of the District's revenue, contributing about 17 cents and 65 cents respectively for every dollar raised (see Table 3). Another 11 cents came from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District expenses predominantly relate to instruction and support services, which includes support for students and instructional staff, administration, operations and maintenance, and transportation. Given that Prowers County School District RE-1 is a service organization providing education services to students, the majority of expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

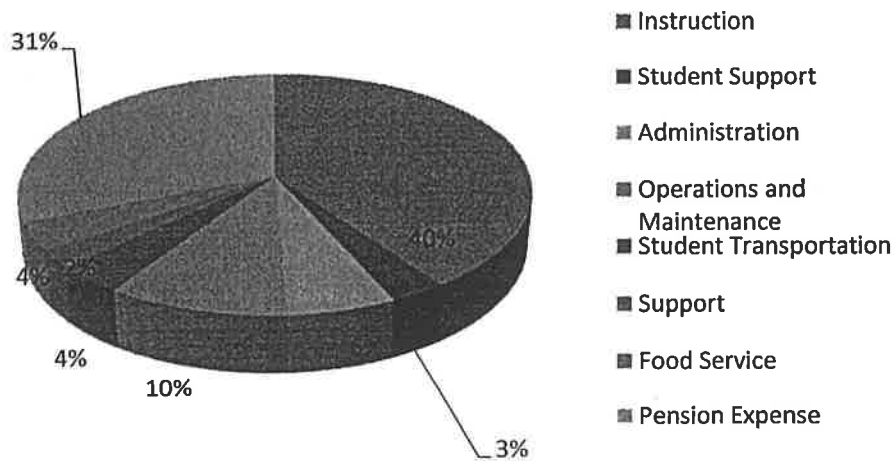
Detailed below in Tables 3 and 4 are charts displaying revenues by source and expenses by program for the total school district.



**Table 4 Expenses for Fiscal Year 2018**



**Table 4 Expenses for Fiscal Year 2017**



**Governmental Activities**

The primary source of operating revenue for school districts comes from the School Finance Act of 1994. Under this act, the district received, \$12,083.73 per funded student. In fiscal year 2017-2018, the funded pupil count was 193.4. Funding for the school finance act comes from property taxes, specific ownership taxes and state equalization. The district receives approximately 65 percent of this funding from state equalization while the remaining amounts come from property taxes and specific ownership tax. The district receives approximately 17 percent of funding from property tax.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 5 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs). The net cost shows the financial burden placed on the District's taxpayers by each of these programs.

**Table 5**  
**Net Cost of Governmental Activities (in dollars)**

	<b>Total Cost of Services</b>	<b>Net Cost of Services</b>
Instruction	\$ 1,565,662	\$ -1,191,186
Students	62,523	-62,523
Instructional Staff	70,293	-70,293
General Administration	214,012	-214,012
School Administration	41,826	-41,826
Operations and Maintenance	397,891	-392,491
Student Transportation	129,287	-112,819
Central Supporting Services	70,096	-70,096
Other Support	35,435	-35,435
Capital Outlay	0	0
Food Service	153,980	-51,421
Pension Amortization	1,547,360	-1,547,360
<b>Total</b>	<b>\$ 4,288,365</b>	<b>\$ -3,789,462</b>

- The cost of all governmental activities this year was \$4,288,365.
- Federal and State government subsidized certain programs with grants and contributions amounting to \$329,774.
- Most of the District's costs were financed by District and State taxpayers for a total of \$2,344,330.
- This portion of governmental activities was financed with \$483,656 in property taxes, \$1,860,674 in state aid (equalization) based on the statewide formula for per pupil funding, and \$16,621 in investment earnings and other miscellaneous revenues, \$68,477 not pertaining specifically to a program.

**Business-type Activities**

Business-type activities are no longer reported separately since the Food Service fund changed from an Enterprise Fund to a Special Revenue Fund as of July 1, 2014. Lunch prices increased in the 2012-13 school year. In future years, lunch prices and other charges may be adjusted to continue to meet expected costs.

**Financial Analysis of the District's Funds**

Information about the District's funds starts on page 5. These funds are accounted for using the modified accrual basis of accounting. All governmental funds have total revenues of \$2,930,656 and expenditures of \$2,639,982. The net change in governmental fund balances for the year was most significant after transferring 50,000 to food service.

## General Fund Budgetary Highlights

The actual expenditures were \$367,926 below budget, primarily because the District budgeted \$2,688,161 from fund balance for unplanned expenditures (contingency). The District did not spend any of the contingency on the assets purchased. The fund balance as of June 30, 2018 (budgetary basis) was \$2,625,177, compared to \$2,379,766 as of June 30, 2017, including \$83,000, and \$76,000 respectively, for TABOR Amendment emergency reserves.

## Capital Assets

By the end of the fiscal year 2018, the District had invested \$6,011,396 in a broad range of capital assets, including land, buildings, site improvements, vehicles, and other equipment. (See Table 6.)

**Table 6**  
**Capital Assets (Net of Depreciation)**

	Governmental Activities		Business-Type Activities		Total	
	<u>2018</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>	<u>2018</u>	<u>2017</u>
Land	\$ 488,022	\$ 488,022	-	\$ -	\$ 488,022	\$ 488,022
Building	1,794,352	1,858,838	-	-	1,794,352	1,858,838
Vehicles	142,617	177,894	-	-	142,617	177,894
Equipment	360,888	362,148	-	-	360,888	362,148
Work in Progress						
Total	\$ 2,785,879	\$ 2,886,902	\$ -	\$ -	\$ 2,785,879	\$ 2,886,902

## Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future.

- Information from the 2017-2018 student enrollment "October count" shows that Prowers County School District RE-1 had less students than last year. The Stabilization factor resulted in an increase in revenue from the funded pupil count.
- Based on historical trends, our projections for student enrollment for fall 2018 will show District enrollment continuing to decline.
- The United States and the State of Colorado have experienced slowing economic conditions in the past several years. One impact of this economic slowing is the reduction in the State of Colorado's general fund revenues, which are expected to continue to decline. Because educational expenditures represent a significant portion of the State of Colorado's total expenditures, the District anticipates its

revenues may be adversely impacted. If the District revenues are reduced, the District will be required to reduce its future expenditures. The district implemented a reduction in force in the 2011-12 year to offset the decline in revenues.

- The state funding formula included a stabilization factor resulting in over \$200,000.00 less funding in the 2017-18 fiscal year.
- During the 2014-15 school year, the State replaced the Transitional Colorado Assessment Program (TCAP) with the Partnership for Assessment of Readiness for College and Careers (PARCC). The PARCC tests were given to assess Math and Reading in grades three through nine until 2017-18 when they began including grades three through eight. Colorado Measures of Academic Success (CMAS) tests assess Science in fifth or eighth or eleventh grades and Social Studies in fourth or seventh grades. Twelfth grade is no longer tested in Science and Social Studies. The PSAT test was given to sophomores in the 2015-16 school year and started including freshmen in 2017-18. Juniors now take the ACT and SAT tests. Schools receiving a priority improvement or turn-around status for three straight years face takeover by the State and conversion to a charter school. The Colorado Department of Education determined that the Prowers County School District RE-1 is meeting the intent of the requirements, as set forth in Colorado State Board of Education Rules 2202-R-0.00 through 4.02 (5), and continues to be fully accredited.
- The district, experienced a significant change with the implementation of GASB 68 in the 2014-15 school year, which required the disclosure of the PERA (Public Employees' Retirement Association) pension obligation. In 2017-18 the district was required to disclose the OPEB (Other Post Employment Benefits) liabilities.
- In the 2014-15 school year, the Food Service Fund changed from an Enterprise Fund to a Special Revenue Fund. The district-wide financial statement no longer offers a good comparative, because there is a significant difference in the Governmental Activities due the Food Service Fund no longer being reflected as a Business Type Activity.
- The Granada RE-1 School Board purchased a John Deere 3046R compact utility tractor with an H160 loader for use in maintaining the grounds in the 2017-18 school year.

### **Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Business Manager, Prowers County School District RE-1, 201 South Hoisington Street, Granada, CO 81041.

BASIC FINANCIAL STATEMENTS

PROWERS COUNTY SCHOOL DISTRICT RE-1  
STATEMENT OF NET POSITION  
June 30, 2018

	<u>Governmental Activities</u>	<u>Total</u>
<u>ASSETS</u>		
Cash and Equivalents	2,882,959	2,882,959
Accounts Receivable	-	-
Receivables – Other	1,388	1,388
Accrued Revenue	51,507	51,507
Property Taxes Receivable	29,250	29,250
Inventories	7,505	7,505
Capital Assets	6,011,396	6,011,396
Accumulated Depreciation	<u>(3,225,517)</u>	<u>(3,225,517)</u>
<u>Total Assets</u>	<u>5,758,488</u>	<u>5,758,488</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
Pensions	2,744,358	2,744,358
Other Post Employment Benefits	<u>7,280</u>	<u>7,280</u>
<u>Total Deferred Outflow of Resources</u>	<u>2,751,638</u>	<u>2,751,638</u>
 <u>LIABILITIES</u>		
Accounts Payable	23,461	23,461
Accrued Salaries	179,545	179,545
Compensated Absences	-	-
Long Term Liabilities:		
Due Within One Year	-	-
Due in More than One Year	-	-
Net Pension Liability	8,945,539	8,945,539
Net OPEB Liability	<u>204,278</u>	<u>204,278</u>
<u>Total Liabilities</u>	<u>9,352,823</u>	<u>9,352,823</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Pensions	877,223	877,223
Other Post Employment Benefits	<u>10,959</u>	<u>10,959</u>
<u>Total Deferred Inflow of Resources</u>	<u>888,182</u>	<u>888,182</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	2,785,879	2,785,879
Restricted for:		
TABOR Reserve	83,000	83,000
Preschool	3,080	3,080
Food Service	11,312	11,312
Unrestricted	<u>(4,614,150)</u>	<u>(4,614,150)</u>
 <u>TOTAL NET POSITION</u>	 <u>(1,730,879)</u>	 <u>(1,730,879)</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
STATEMENT OF ACTIVITIES  
For The Year Ended June 30, 2018

FUNCTIONS	Program Revenues			Net (Expenses) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Governmental Activities	Total
Instructional Services	1,565,662	139,866	234,610	-	(1,191,186)	(1,191,186)
Supporting Services						
Students	62,523	-	-	-	(62,523)	(62,523)
Instructional Staff	70,293	-	-	-	(70,293)	(70,293)
District Administration	214,012	-	-	-	(214,012)	(214,012)
School Administration	41,826	-	-	-	(41,826)	(41,826)
Business	-	-	-	-	-	-
Operation & Maintenance of Facilities	397,891	5,400	-	-	(392,491)	(392,491)
Transportation	129,287	-	16,468	-	(112,819)	(112,819)
Central	70,096	-	-	-	(70,096)	(70,096)
Other	35,435	-	-	-	(35,435)	(35,435)
Food Service	153,980	17,593	78,696	6,270	(51,421)	(51,421)
Capital Outlay	-	-	-	-	-	-
Pension Expense	1,547,360	-	-	-	(1,547,360)	(1,547,360)
<u>Total Governmental Activities</u>	<u>4,288,365</u>	<u>162,859</u>	<u>329,774</u>	<u>6,270</u>	<u>(3,789,462)</u>	<u>(3,789,462)</u>
<u>Total School District</u>	<u>4,288,365</u>	<u>162,859</u>	<u>329,774</u>	<u>6,270</u>	<u>(3,789,462)</u>	<u>(3,789,462)</u>
<u>General Revenues</u>						
Property Taxes Levied for General Purposes					419,556	419,556
Specific Ownership Taxes					64,100	64,100
Equalization					1,860,674	1,860,674
Earnings on Investments					16,621	16,621
Other Revenues					61,402	61,402
OPEB Income					7,075	7,075
<u>Total General Revenues</u>					<u>2,429,428</u>	<u>2,429,428</u>
<u>Change in Net Position</u>					<u>(1,360,034)</u>	<u>(1,360,034)</u>
<u>Net Position, Beginning (as Restated)</u>					<u>(370,845)</u>	<u>(370,845)</u>
<u>Net Position, Ending</u>					<u>(1,730,879)</u>	<u>(1,730,879)</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>			
Cash and Investments	2,748,978	133,981	2,882,959
Accounts Receivable	776	612	1,388
Grants Receivable	51,507	-	51,507
Due From Other Funds	6,270	-	6,270
Property Taxes Receivable	29,250	-	29,250
Inventories	-	7,505	7,505
<u>Total Assets</u>	<u>2,836,781</u>	<u>142,098</u>	<u>2,978,879</u>
<u>LIABILITIES</u>			
Accounts Payable	20,853	2,608	23,461
Accrued Salaries	179,451	94	179,545
Due To Other Funds	-	6,270	6,270
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>200,304</u>	<u>8,972</u>	<u>209,276</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Deferred Property Taxes	<u>11,300</u>	<u>-</u>	<u>11,300</u>
<u>FUND BALANCES</u>			
Nonspendable:			
Inventories	-	7,505	7,505
Restricted for:			
Emergencies	83,000	-	83,000
Preschool	3,080	-	3,080
Food Service	-	11,312	11,312
Committed for:			
Capital Outlay	-	-	-
Assigned for:			
Pupil Activities	-	114,309	114,309
Unassigned	<u>2,539,097</u>	<u>-</u>	<u>2,539,097</u>
<u>Total Fund Balances</u>	<u>2,625,177</u>	<u>133,126</u>	<u>2,758,303</u>
<u>TOTAL LIABILITIES, DEFERRED</u>			
<u>INFLOWS AND FUND BALANCES</u>			
	<u>2,836,781</u>	<u>142,098</u>	<u>2,978,879</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2018

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Amounts reported for governmental activities in the statement of net position are different because:

TOTAL FUND BALANCE – GOVERNMENTAL FUNDS	2,758,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$6,011,396 and the accumulated depreciation is \$3,225,517.	2,785,879
Property tax revenue is recognized when earned (claim to resources established) rather than when “available”. All of the deferred property tax revenue is not available.	11,300
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(8,945,539)
The District’s portion of the net OPEB obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(204,278)
Deferred flows for contributions made toward the net pension obligation from December 31, 2017 until June 30, 2018 is not reported in the funds.	118,418
Deferred flows for contributions made toward the net OPEB obligation from December 31, 2017 until June 30, 2018 is not reported in the funds.	6,314
Net deferred pension flows – Plan Level	2,082,805
Net deferred pension flows – Employer Level	(334,088)
Net deferred OPEB flows – Plan Level	(2,452)
Net deferred OPEB flows – Employer Level.	<u>(7,541)</u>
TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES	<u>(1,730,879)</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	428,956	-	428,956
Specific Ownership Taxes	64,100	-	64,100
Earnings on Investments	16,289	332	16,621
Other Local Sources	66,802	157,459	224,261
State Aid	2,031,210	1,614	2,032,824
Federal Aid	80,542	83,352	163,894
Allocation to Reserves	-	-	-
<u>Total Revenues</u>	<u>2,687,899</u>	<u>242,757</u>	<u>2,930,656</u>
<u>EXPENDITURES</u>			
<u>Current:</u>			
Instructional Services	1,406,165	159,497	1,565,662
Supporting Services:			
Students	62,523	-	62,523
Instructional Staff	70,293	-	70,293
District Administration	214,012	-	214,012
School Administration	41,826	-	41,826
Business	-	-	-
Operation & Maintenance of Facilities	325,875	-	325,875
Transportation	94,010	-	94,010
Central	70,096	-	70,096
Other	35,435	-	35,435
Food Service	-	160,250	160,250
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Capital Outlay	-	-	-
<u>Total Expenditures</u>	<u>2,320,235</u>	<u>319,747</u>	<u>2,639,982</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>367,664</u>	<u>(76,990)</u>	<u>290,674</u>
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	(122,253)	122,253	-
<u>Total Other Financing Sources (Uses)</u>	<u>(122,253)</u>	<u>122,253</u>	<u>-</u>
<u>NET CHANGE IN FUND BALANCES</u>	<u>245,411</u>	<u>45,263</u>	<u>290,674</u>
<u>FUND BALANCES – Beginning</u>	<u>2,379,766</u>	<u>87,863</u>	<u>2,467,629</u>
<u>FUND BALANCES – Ending</u>	<u>2,625,177</u>	<u>133,126</u>	<u>2,758,303</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
 For The Year Ended June 30, 2018

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Amounts reported for governmental activities in the statement of activities are different because:

NET CHANGE IN FUND BALANCES – TOTAL GOVERNMENTAL FUNDS	290,674
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Capital Outlays more than \$5,000	33,712
Depreciation Expense	(134,735)
	(101,023)
<p>Property tax revenues received prior to the year for which they are being levied or are not “available” at year end are reported as deferred inflows in the governmental funds. They are, however recorded as revenues in the statement of activities. Deferred property tax revenues decreased this year.</p>	
	(9,400)
<p>The statement of activities reports net pension obligation which is not reported in the fund financial statements.</p>	
Change in net pension obligation	(347,515)
Change in net OPEB obligation	8,541
Deferred flows from net pension obligations	(1,199,845)
Deferred flows from net OPEB obligations	<u>(1,466)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>(1,360,034)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Prowers County School District RE-1 (District) conform with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with 6 members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Prowers County School District RE-1. The District receives funding from local, state, and federal government sources and must comply with requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B.        Government-Wide and Fund Financial Statements

The Government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund) and individual enterprise funds are reported as separate columns in the fund financial statements.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

All governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred inflows when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their balance sheets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D.    Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D.    Fund Accounting (Continued)

• Major Governmental Funds

1. General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.

E.    Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

F.    Receivables

Property taxes levied in 2017 but uncollected in 2018 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2018 are recorded as deferred inflows, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G.    Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H.    Capital Assets

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

I.    Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and Capital Reserve Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

J.    Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 4, 1997 the registered voters approved a ballot resolution authorizing Prowers County School District RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1     SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J.         Constitutional Amendment (Continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2018 the District reserved \$83,000 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

K.         Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2017 property tax calendar for Prowers County was as follows:

Levy Date	December 22, 2017
Lien Date	January 1, 2018
Tax Bills Mailed	January 1, 2018
First Installment Due	February 28, 2018
Second Installment Due	June 15, 2018
If Paid in Full, Due	April 30, 2018
Tax Sale – 2016 Delinquent Property Taxes	October 25, 2017

L.         Use of Estimates

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M.        GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

PROWERS COUNTY SCHOOL DISTRICT NUMBER RE-1  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. GASB Statement No. 54 (Continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Pupil Activity Fund</u>	<u>Food Service Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>				
Inventories	-	-	7,505	7,505
<u>Restricted:</u>				
Emergencies	83,000	-	-	83,000
Preschool	3,080	-	-	3,080
Food Service	-	-	11,312	11,312
<u>Assigned:</u>				
Pupil Activities	-	114,309	-	114,309
<u>Unassigned</u>	<u>2,539,097</u>	<u>-</u>	<u>-</u>	<u>2,539,097</u>
<u>Total Fund Balances</u>	<u>2,625,177</u>	<u>114,309</u>	<u>18,817</u>	<u>2,758,303</u>

N. DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and the balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 2      RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

	Items Eliminated	
	Transfers Out	Transfers In
General Fund	122,253	-
Food Service Fund	-	50,000
Pupil Activity Fund	-	72,253
	122,253	122,253

NOTE 3      BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, Management submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. Management is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds, and Enterprise Funds.
6. Budgets for the General, Special Revenue, and Enterprise Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 3     BUDGETARY INFORMATION (Continued)

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4     CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 the aggregate uninsured deposits.

At June 30, 2018, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	700,379	700,379
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	2,173,999	2,174,381
Cash with County Treasurer	8,581	-
Cash on Hand	<u>          -</u>	<u>          -</u>
 <u>Total Cash and Deposits</u>	 <u>2,882,959</u>	 <u>2,874,760</u>

As presented above, deposits with a bank balance of \$2,174,381 and a carrying balance of \$2,173,999 as of June 30, 2018 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
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NOTE 5    CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2017</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2018</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	488,022	-	-	488,022
<u>Capital Assets Being Depreciated</u>				
Buildings & Site Improvements	3,588,664	27,442	-	3,616,106
Transportation Equipment	835,239	-	57,867	777,372
Equipment	1,123,626	6,270	-	1,129,896
<u>Total Capital Assets Being Depreciated</u>	<u>5,547,529</u>	<u>33,712</u>	<u>57,867</u>	<u>5,523,374</u>
<u>Less Accumulated Depreciation for:</u>				
Building & Site Improvements	1,729,826	91,928	-	1,821,754
Transportation Equipment	657,345	35,277	57,867	634,755
Equipment	761,478	7,530	-	769,008
<u>Total Accumulated Depreciation</u>	<u>3,148,649</u>	<u>134,735</u>	<u>57,867</u>	<u>3,225,517</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>2,398,880</u>	<u>(101,023)</u>	<u>-</u>	<u>2,297,857</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>2,886,902</u>	<u>(101,023)</u>	<u>-</u>	<u>2,785,879</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

Instruction	-
Student Support	-
Instructional Support	-
General Administration Support	-
School Administration Support	-
Business Services Support	-
Operations and Maintenance	99,458
Transportation	35,277
<u>Total Depreciation Expense – Governmental Activities</u>	<u>134,735</u>

NOTE 6      PENSION PLAN

**Defined Benefit Pension Plan**

Summary of Significant Accounting Policies

Pensions. Prowers County School District RE-1 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 Prowers County School District RE-1 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/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

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

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
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NOTE 6      PENSION PLAN (Continued)

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

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 6      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 Prowers County School District RE-1 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA- includable salary. The employer contribution requirements are summarized in the table below.

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer Contribution Rate	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)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	5.000%	5.50%
Total Employer Contribution Rate to the SCHDTF	18.63%	19.13%

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 Prowers County School District RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Prowers County School District RE-1 were \$228,268 for the year ended June 30, 2018.

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

At June 30, 2018, the Prowers County School District RE-1 reported a liability of \$8,945,539 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The Prowers County School District RE-1 proportion of the net pension liability was based on Prowers County School District RE-1 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 Prowers County School District RE-1 proportion was 0.0277 percent, which was a decrease of 0.0012 from its proportion measured as of December 31, 2016.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 6 PENSION PLAN (Continued)

For the year ended June 30, 2018, the Prowers County School District RE-1 recognized pension expense of \$1,547,360. At June 30, 2018, the Prowers County School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	164,471	-
Changes of assumptions or other inputs	2,284,128	(14,495)
Net difference between projected and actual earnings on pension plan investments	177,341	(528,640)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(334,088)
Contributions subsequent to the measurement date	118,418	N/A
Total	2,744,358	(877,223)

\$118,418 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,	
2019	1,236,247
2020	680,742
2021	(36,111)
2022	(132,161)
2023	-
Thereafter	-

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 6      PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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**NOTE 6**      **PENSION PLAN (Continued)**

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

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

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

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

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

- 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%.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 6      PENSION PLAN (Continued)

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
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 June 30, 2018

**NOTE 6**      **PENSION PLAN (Continued)**

*Sensitivity of the Prowers County School District RE-1 proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (6.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	11,299,737	8,945,539	7,027,136

*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.
- 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.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 6**      PENSION PLAN (Continued)

At June 30 2018, the Prowers County School District RE-1 reported a liability of \$8,945,539 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 Prowers County School District RE-1's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	4,041,517

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$4,175,833 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**Defined Contribution Pension Plan**

**Voluntary Investment Program**

*Plan Description* – Employees of the Prowers County School District RE-1 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 which includes additional information on the Voluntary Investment Program. 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. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2018, program members contributed \$14,665.

NOTE 7      OTHER POST EMPLOYMENT BENEFITS

**Defined Benefit And Other Post Employment Benefit (OPEB) Plan**

Summary of Significant Accounting Policies

*OPEB.* Prowers County School District RE-1 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

*Plan Plan description.* Eligible employees of the Prowers County School District RE-1 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.

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

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

*PERA Benefit Structure*

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

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

*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.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Prowers County School District RE-1 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Prowers County School District RE-1 were \$12,328 for the year ended June 30, 2018.

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

At June 30, 2018, the Prowers County School District RE-1 reported a liability of \$204,278 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 Prowers County School District RE-1 proportion of the net OPEB liability was based on Prowers County School District RE-1 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 Prowers County School District RE-1 proportion was 0.0157 percent, which was a decrease of 0.0007 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Prowers County School District RE-1 recognized OPEB income of \$7,075. At June 30, 2018, the Prowers County School District RE-1 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	966	-
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	(3,418)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	(7,541)
Contributions subsequent to the measurement date	6,314	N/A
Total	7,280	(10,959)

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

\$6,314 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2019	(2,146)
2020	(2,146)
2021	(2,146)
2022	(2,146)
2023	(1,292)
Thereafter	(117)

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

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

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

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

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

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

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (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 improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 7      OTHER POST EMPLOYMENT BENEFITS (Continued)

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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

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

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:

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

**NOTE 7**      **OTHER POST EMPLOYMENT BENEFITS (Continued)**

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

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

Sensitivity of the Prowers County School District RE-1 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	198,658	204,278	211,048

*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.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 7      OTHER POST EMPLOYMENT BENEFITS (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 3.50%.
- 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 Prowers County School District RE-1 proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	229,673	204,278	182,603

*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).

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 8      RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 8      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors.

Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the General Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2018.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 9      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)

An audited summary of the Colorado School District's Pool financial information at June 30, 2017 and for the six months then ended (latest information available) follows:

Total Assets	<u>42,273,940</u>
Total Liabilities	<u>11,655,251</u>
Total Equity	<u>30,618,689</u>
Revenue	7,429,394
Underwriting Expenses	<u>4,126,717</u>
Underwriting Gain (Loss)	3,302,677
Net Investment Income	276,653
Other Income	-
Net Income (Loss) Before Dividend	<u>3,579,330</u>
Dividend	-
Net Income	<u>3,579,330</u>
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>235,606</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>30,618,689</u>

NOTE 10      LITIGATION

None.

NOTE 11      SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

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

NOTE 12      JOINT VENTURES

Not reflected in the accompanying financial statements is the District's participation in the South Eastern Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 NOTES TO FINANCIAL STATEMENTS  
 June 30, 2018

NOTE 12    JOINT VENTURES (Continued)

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The BOCES by-laws indicate that the entity is to have perpetual existence, but in the event of its dissolution, all assets shall be divided among member school districts on a pro rate basis determined by the BOCES board. The joint venture summary audited financial information as of June 30, 2017, the latest year for which complete information is available is as follows:

Assets and Deferred Outflows	<u>3,380,566</u>
Liabilities and Deferred Inflows	<u>6,557,276</u>
Net Position	<u>(3,176,710)</u>
	<u>3,380,566</u>
Revenues	2,449,802
Expenses	<u>3,215,297</u>
Excess (Deficiency)	<u>(765,495)</u>

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and files a report with the Colorado State Auditor.

NOTE 13    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, at June 30, 2018, are estimated to be \$179,545. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 14    COMPENSATED ABSENCES

There is no material liability for compensated absences payable at June 30, 2018.

NOTE 15    INTERFUND BALANCES AND TRANSFERS

Transfers

<u>Major Governmental Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	6,270	-	-	122,253
<u>Non Major Governmental Funds</u>				
Pupil Activity Fund	-	-	72,253	-
Food Service Fund	-	<u>6,270</u>	<u>50,000</u>	-
	<u>6,270</u>	<u>6,270</u>	<u>122,253</u>	<u>122,253</u>

Transfers were made from the General Fund for the purpose of assisting operations.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2018

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NOTE 16    INVENTORIES

Food Service Fund inventories at June 30, 2018, consisted of USDA, purchased food, and non-food amounting to \$7,505. 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.

NOTE 17    RESTATEMENT OF BEGINNING NET POSITION

The net position of the governmental activities has been restated to reflect the implementation of GASB Statement 75. That statement requires that the District report their portion of any post employment benefit (OPEB) liability, and related deferred flows. The beginning net position of \$(155,813) has been changed by the net OPEB liability at June 30, 2017 of \$212,819 and related deferred flows of \$(2,213), resulting in a restated beginning net position of \$(370,845).

NOTE 18    COMPLIANCE WITH BUDGET LAWS

The following condition was noted and may be a violation of Colorado law:

A resolution for appropriating the 2018 – 2019 budget was not adopted prior to June 30, 2018.

BUDGETARY COMPARISONS

## MAJOR GOVERNMENTAL FUNDS

### General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

### Pension Trend Data

### Other Post Employment Benefits Trend Data

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES – BUDGET AND ACTUAL  
 GENERAL FUND

For the Year Ended June 30, 2018

<u>REVENUES</u>	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Local Sources</u>				
Property Taxes	368,692	368,692	428,956	60,264
Specific Ownership Taxes	56,451	56,451	64,100	7,649
Earnings on Investments	18,500	18,500	16,289	(2,211)
Delinquent Taxes & Interest	1,700	1,700	1,360	(340)
Other	162,457	162,457	65,442	(97,015)
<u>State Sources</u>				
Equalization	1,897,725	1,897,725	1,860,674	(37,051)
Transportation	13,000	13,000	16,468	3,468
Special Education	13,500	13,500	6,876	(6,624)
Other	5,377	5,377	147,192	141,815
<u>Federal Sources</u>				
Other	149,019	149,019	80,542	(68,477)
<b>TOTAL REVENUES</b>	<u>2,686,421</u>	<u>2,686,421</u>	<u>2,687,899</u>	<u>1,478</u>
 <u>EXPENDITURES</u>				
<u>INSTRUCTION</u>				
Salaries	942,346	942,346	890,944	51,402
Employee Benefits	387,034	387,034	352,201	34,833
Purchased Services - Professional	51,625	51,625	72,587	(20,962)
Purchased Services – Property	-	-	-	-
Purchased Services – Other	5,000	5,000	6,288	(1,288)
Supplies and Materials	241,334	241,334	80,493	160,841
Property	2,000	2,000	-	2,000
Other Objects	9,000	9,000	3,652	5,348
<u>Total Instruction</u>	<u>1,638,339</u>	<u>1,638,339</u>	<u>1,406,165</u>	<u>232,174</u>
 <u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	36,117	36,117	36,326	(209)
Employee Benefits	11,063	11,063	10,864	199
Purchased Services – Professional	20,244	20,244	14,999	5,245
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	259	(259)
Supplies and Materials	240	240	75	165
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Student Services</u>	<u>67,664</u>	<u>67,664</u>	<u>62,523</u>	<u>5,141</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES – BUDGET AND ACTUAL  
 GENERAL FUND

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Instructional Staff</u>				
Salaries	43,550	43,550	43,850	(300)
Employee Benefits	17,119	17,119	17,049	70
Purchased Services - Professional	600	600	-	600
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	-	-
Supplies and Materials	5,180	5,180	9,394	(4,214)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>66,449</u>	<u>66,449</u>	<u>70,293</u>	<u>(3,844)</u>
<u>General Administration</u>				
Salaries	131,980	131,980	129,329	2,651
Employee Benefits	43,823	43,823	40,292	3,531
Purchased Services – Professional	27,000	27,000	28,823	(1,823)
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	4,719	(4,719)
Supplies and Materials	6,680	6,680	9,885	(3,205)
Property	-	-	-	-
Other Objects	4,000	4,000	964	3,036
<u>Total General Administration</u>	<u>213,483</u>	<u>213,483</u>	<u>214,012</u>	<u>(529)</u>
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	26,274	26,274	26,700	(426)
Employee Benefits	13,432	13,432	13,466	(34)
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	-	-	-	-
Supplies and Materials	1,600	1,600	1,660	(60)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>41,306</u>	<u>41,306</u>	<u>41,826</u>	<u>(520)</u>
<u>Operations and Maintenance</u>				
Salaries	74,970	74,970	71,951	3,019
Employee Benefits	35,561	35,561	32,429	3,132
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	30,500	30,500	27,830	2,670
Purchased Services – Other	31,031	31,031	29,507	1,524
Supplies and Materials	151,000	151,000	151,274	(274)
Property	99,700	99,700	12,884	86,816
Other Objects	-	-	-	-
<u>Total Operations and Maintenance</u>	<u>422,762</u>	<u>422,762</u>	<u>325,875</u>	<u>96,887</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
 IN FUND BALANCES – BUDGET AND ACTUAL  
 GENERAL FUND

For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable <u>(Unfavorable)</u>
<u>Student Transportation</u>				
Salaries	40,091	40,091	37,735	2,356
Employee Benefits	12,418	12,418	14,483	(2,065)
Purchased Services - Professional	-	-	1,070	(1,070)
Purchased Services – Property	-	-	-	-
Purchased Services – Other	19,431	19,431	14,437	4,994
Supplies and Materials	40,000	40,000	26,285	13,715
Property	32,000	32,000	-	32,000
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	<u>143,940</u>	<u>143,940</u>	<u>94,010</u>	<u>49,930</u>
<u>Central Support</u>				
Salaries	19,664	19,664	19,562	102
Employee Benefits	9,413	9,413	9,130	283
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	31,786	31,786	40,646	(8,860)
Supplies and Materials	400	400	758	(358)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Central Support</u>	<u>61,263</u>	<u>61,263</u>	<u>70,096</u>	<u>(8,833)</u>
<u>Other Support</u>				
Salaries	-	-	-	-
Employee Benefits	-	-	-	-
Purchased Services – Professional	-	-	-	-
Purchased Services – Property	-	-	-	-
Purchased Services – Other	32,955	32,955	35,435	(2,480)
Supplies and Materials	-	-	-	-
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Other Support</u>	<u>32,955</u>	<u>32,955</u>	<u>35,435</u>	<u>(2,480)</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>1,049,822</u>	<u>1,049,822</u>	<u>914,070</u>	<u>135,752</u>
<u>APPROPRIATED RESERVES</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>TOTAL EXPENDITURES</u>	<u>2,688,161</u>	<u>2,688,161</u>	<u>2,320,235</u>	<u>367,926</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(1,740)</u>	<u>(1,740)</u>	<u>367,664</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Proceeds from Sale of Assets	-	-	-	-
Transfers	(50,000)	(50,000)	(122,253)	(72,253)
<u>Total Other Financing Sources (Uses)</u>	<u>(50,000)</u>	<u>(50,000)</u>	<u>(122,253)</u>	<u>(72,253)</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER USES</u>	<u>(51,740)</u>	<u>(51,740)</u>	<u>245,411</u>	
<u>FUND BALANCE, July 1</u>	<u>51,740</u>	<u>51,740</u>	<u>2,379,766</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	<u>2,625,177</u>	

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

**PROWERS COUNTY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net pension liability (asset)	0.0277%	0.0289%	0.0295%	0.0311%	0.3260%	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$8,945,539	\$8,598,024	\$4,510,600	\$4,218,248	\$4,165,012	-	-	-	-	-
District's covered-employee payroll	\$1,208,658	\$1,300,958	\$1,288,102	\$1,292,632	\$1,313,583	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	740%	661%	350%	326%	317%	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.96%	43.13%	59.20%	62.80%	64.06%	-	-	-	-	-

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

**PROWERS COUNTY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - PENSION**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 228,268	\$ 239,202	\$ 228,519	\$ 231,459	\$ 223,395	\$ 214,959	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (228,268)</u>	<u>\$ (239,202)</u>	<u>\$ (228,519)</u>	<u>\$ (231,459)</u>	<u>\$ (223,395)</u>	<u>\$ (214,959)</u>	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	-	-	-
District's covered-employee payroll	\$1,208,658	\$1,300,958	\$1,288,102	\$1,292,632	\$1,313,583	\$1,335,067	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.89%	18.38%	17.74%	17.91%	17.01%	16.10%	-	-	-	-

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

**PROWERS COUNTY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET OTHER POST EMPLOYMENT BENEFITS (OPEB) LIABILITY**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
District's proportion of the net OPEB liability (asset)	0.0157%	0.0164%	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset)	\$204,278	\$212,819	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,208,658	\$1,300,958	-	-	-	-	-	-	-	-
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	16.90%	16.36%	-	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%	-	-	-	-	-	-	-	-

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

**PROWERS COUNTY SCHOOL DISTRICT RE-1**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS - OPEB**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contributions	\$ 12,328	\$ 13,270	-	-	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (12,328)</u>	<u>\$ (13,270)</u>	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	-	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,208,658	\$1,300,958	-	-	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	-	-	-	-	-	-	-	-

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

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

## NON MAJOR GOVERNMENTAL FUNDS

### Special Revenue Funds

Special revenue funds account for revenues that are legally restricted to expenditures for specified purposes.

Food Service Fund – This fund accounts for all financial activities associated with the District’s school breakfast and lunch programs.

Pupil Activities – This fund accounts for all financial transactions through individual school activity accounts.

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2018

	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Total Nonmajor Governmental Funds</u>
<u>ASSETS</u>			
Cash and Investments	17,064	116,917	133,981
Accounts Receivable	612	-	612
Accrued Revenue	-	-	-
Due From Other Funds	-	-	-
Property Taxes Receivable	-	-	-
Inventories	<u>7,505</u>	-	<u>7,505</u>
<u>Total Assets</u>	<u>25,181</u>	<u>116,917</u>	<u>142,098</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
<u>Liabilities</u>			
Accounts Payable	-	2,608	2,608
Accrued Salaries	94	-	94
Due To Other Funds	6,270	-	6,270
Other Payables	-	-	-
<u>Total Liabilities</u>	<u>6,364</u>	<u>2,608</u>	<u>8,972</u>
 <u>Fund Balances</u>			
Nonspendable:			
Inventories	7,505	-	7,505
Restricted:			
Food Service	11,312	-	11,312
Assigned:			
Pupil Activities	-	<u>114,309</u>	<u>114,309</u>
<u>Total Fund Balances</u>	<u>18,817</u>	<u>114,309</u>	<u>133,126</u>
 <u>TOTAL LIABILITIES &amp; FUND BALANCES</u>	 <u>25,181</u>	 <u>116,917</u>	 <u>142,098</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2018

	<u>Food Service</u>	<u>Pupil Activity</u>	<u>Total Nonmajor Governmental Funds</u>
<u>REVENUES</u>			
Property Taxes	-	-	-
Specific Ownership Taxes	-	-	-
Earnings on Investments	68	264	332
Other Local Sources	17,593	139,866	157,459
State Aid	1,614	-	1,614
Federal Aid	<u>83,352</u>	-	<u>83,352</u>
<u>Total Revenues</u>	<u>102,627</u>	<u>140,130</u>	<u>242,757</u>
 <u>EXPENDITURES</u>			
Current:			
Instructional Services	-	159,497	159,497
Supporting Services:			
Students	-	-	-
Instructional Staff	-	-	-
District Administration	-	-	-
School Administration	-	-	-
Business	-	-	-
Operation and Maintenance of Facilities	-	-	-
Transportation	-	-	-
Central	-	-	-
Food Service	160,250	-	160,250
Capital Outlay	-	-	-
<u>Total Expenditures</u>	<u>160,250</u>	<u>159,497</u>	<u>319,747</u>
 <u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>(57,623)</u>	 <u>(19,367)</u>	 <u>(76,990)</u>
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>50,000</u>	<u>72,253</u>	<u>122,253</u>
<u>Total Other Financing Sources (Uses)</u>	<u>50,000</u>	<u>72,253</u>	<u>122,253</u>
 <u>NET CHANGE IN FUND BALANCES</u>	 <u>(7,623)</u>	 <u>52,886</u>	 <u>45,263</u>
 <u>FUND BALANCE, Beginning</u>	 <u>26,440</u>	 <u>61,423</u>	 <u>87,863</u>
 <u>FUND BALANCE, Ending</u>	 <u>18,817</u>	 <u>114,309</u>	 <u>133,126</u>

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 PUPIL ACTIVITY FUND - SPECIAL REVENUE FUND  
 For the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Local Sources	160,000	140,130	(19,870)
State Sources	-	-	-
Federal Sources	-	-	-
<u>Total Revenues</u>	<u>160,000</u>	<u>140,130</u>	<u>(19,870)</u>
<u>EXPENDITURES</u>			
Salary	-	-	-
Benefits	-	-	-
Purchased Services – Professional	34,000	32,178	1,822
Purchased Services – Property	-	-	-
Purchased Services – Other	70,000	32,550	37,450
Supplies and Materials	106,000	94,769	11,231
Other	-	-	-
<u>Total Expenditures</u>	<u>210,000</u>	<u>159,497</u>	<u>50,503</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	 <u>(50,000)</u>	 <u>(19,367)</u>	
<u>OTHER FINANCING SOURCES (USES):</u>			
Transfers	-	72,253	72,253
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>72,253</u>	<u>72,253</u>
 <u>NET CHANGE IN FUND BALANCES</u>	 <u>(50,000)</u>	 52,886	
 <u>FUND BALANCE, Beginning</u>	 <u>50,000</u>	 <u>61,423</u>	
 <u>FUND BALANCE, Ending</u>	 <u>-</u>	 <u>114,309</u>	

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

PROWERS COUNTY SCHOOL DISTRICT RE-1  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 FOOD SERVICE – SPECIAL REVENUE FUND  
 For the Year Ended June 30, 2018

<u>REVENUES</u>	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>Local Sources</u>			
Food Sales	32,700	16,959	(15,741)
Earnings on Investments	100	68	(32)
Other	1,500	634	(866)
<u>State Sources</u>			
School Lunches	-	1,614	1,614
<u>Federal Sources</u>			
School Lunches	55,000	75,275	20,275
Commodities	<u>9,000</u>	<u>8,077</u>	<u>(923)</u>
<u>Total Revenues</u>	<u>98,300</u>	<u>102,627</u>	<u>4,327</u>
 <u>EXPENDITURES</u>			
Salaries	56,563	51,681	4,882
Employee Benefits	35,543	33,144	2,399
Purchased Services – Professional	-	-	-
Purchased Services – Property	300	209	91
Purchased Services - Other	-	-	-
Supplies and Materials	70,500	68,361	2,139
Capital Outlay	-	6,270	(6,270)
Other	500	585	(85)
Commodities	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Expenditures</u>	<u>163,406</u>	<u>160,250</u>	<u>3,156</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>			
	(65,106)	(57,623)	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Operating Transfers from General Fund	<u>50,000</u>	<u>50,000</u>	<u>-</u>
 <u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>			
	(15,106)	(7,623)	
 <u>FUND BALANCE, Beginning</u>			
	<u>15,106</u>	<u>26,440</u>	
 <u>FUND BALANCE, Ending</u>			
	<u>-</u>	<u>18,817</u>	

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

**Bolded Balance Sheet**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District 2650 - GRANADA 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	2,376,685	2,565,847	2,320,235	2,622,097
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	3,080	0	0	3,080
Side - Total	2,379,765	2,565,847	2,320,235	2,625,177
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 Services Spec Revenue Fund	26,440	152,627	160,250	18,817
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	61,423	212,384	159,497	114,309
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	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>2,467,239</b>	<b>3,038,637</b>	<b>2,839,982</b>	<b>2,798,346</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**

**Balanced Budget Report**

District: 2650 - GRANADA 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 05	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,740,397	0	0	116,918	0	17,065	0	0	0	0	0	0	0	0	2,874,379
Cash with Fiscal Agent (8105)	9,581	0	0	0	0	0	0	0	0	0	0	0	0	0	9,581
Taxes Receivable (8121,8122)	29,250	0	0	0	0	0	0	0	0	0	0	0	0	0	29,250
Interfund Loans Receivable (8131,8132)	6,270	0	3,080	0	0	0	0	0	0	0	0	0	0	0	9,350
Grants Accounts Receivable (8142)	51,507	0	0	0	0	0	0	0	0	0	0	0	0	0	51,507
Other Receivables (8151-8154,8161)	776	0	0	0	0	612	0	0	0	0	0	0	0	0	1,388
Inventories (8171,8172,8173)	0	0	0	0	0	7,504	0	0	0	0	0	0	0	0	7,504
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>2,836,791</b>	<b>0</b>	<b>3,080</b>	<b>116,918</b>	<b>0</b>	<b>25,181</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,981,969</b>

Fiduciary

Proprietary

Governmental

**LIABILITIES & FUND EQUITY**

**LIABILITIES**

	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	Debit Service Funds 30-39	Capital Projects Funds 40-45, 47-48	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
Interfund Payables (7401,7402)	3,080	0	0	0	0	6,270	0	0	0	0	0	0	0	0	9,350
Other Payables (7421-7423)	20,853	0	0	2,608	0	0	0	0	0	0	0	0	0	0	23,461
Accrued Expenses (7461)	179,451	0	0	0	0	94	0	0	0	0	0	0	0	0	179,545
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	11,300	0	0	0	0	0	0	0	0	0	0	0	0	0	11,300
<b>Total Liabilities</b>	<b>214,684</b>	<b>0</b>	<b>0</b>	<b>2,608</b>	<b>0</b>	<b>6,364</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>233,654</b>

Fiduciary

Proprietary

Governmental

FUND EQUITY

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	7,504	0	0	0	0	0	0	0	0	7,504
Restricted Fund Balance 6720	0	0	0	0	0	11,313	0	0	0	0	0	0	0	0	11,313
TABOR 3% Emergency Reserve 6721	83,000	0	0	0	0	0	0	0	0	0	0	0	0	0	83,000
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	3,080	0	0	0	0	0	0	0	0	0	0	0	3,080
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	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	114,309	0	0	0	0	0	0	0	0	0	0	114,309
Unassigned Fund Balance 6770	2,539,097	0	0	0	0	0	0	0	0	0	0	0	0	0	2,539,097
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>2,622,097</b>	<b>0</b>	<b>3,080</b>	<b>114,309</b>	<b>0</b>	<b>18,817</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,758,304</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>2,836,781</b>	<b>0</b>	<b>3,080</b>	<b>116,918</b>	<b>0</b>	<b>25,181</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,981,960</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>2,836,781</b>	<b>0</b>	<b>3,080</b>	<b>116,918</b>	<b>0</b>	<b>25,181</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,981,960</b>

For Each Fund Type:  
Do Assets=Liability+Fund Equity