

**CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
CENTER, COLORADO**

FINANCIAL STATEMENTS

June 30, 2019



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

To the Board of Education
Center Consolidated School District 26JT
Center, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Consolidated School District 26JT (the District), as of and for the year ended June 30, 2019, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal 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.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

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 District, as of June 30, 2019, 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, pension, and other postemployment benefit information, as listed in the table of contents, 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 District's basic financial statements. The combining and individual nonmajor fund financial schedules and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial schedules, the Colorado School District Auditor's Integrity Report and the schedule of expenditures of federal awards 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 nonmajor fund financial schedules, the Colorado School District Auditor's Integrity Report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 26, 2020

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

As management for the Center Consolidated School District 26 JT we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2019.

Financial Highlights

Total Net Position as of June 30, 2018 was \$4,066,161. Total Net Position as of June 30, 2019 was \$5,465,123, which is an increase of \$1,398,962. Major changes to Net Position include the effects of GASB 68 and 73 which requires cost-sharing employers participating in the Public Employees' Retirement Association to include its proportionate share of the net pension and OPEB liabilities. Other changes to Net Position include depreciation on non-current assets and increased revenues due to General Property and Specific Ownership Taxes.

Total General Fund revenues for Fiscal Year 2019 came in at \$7,100,425 an increase of \$87,177 from Fiscal Year 2018. State Sources brought in total revenues of \$5,463,499, which includes a total of \$4,856,916 in State Equalization (Per Pupil Funding). Local sources of income came in at \$1,435,278 and Federal Sources brought in \$176,530 of which is primarily from US Forest Reserve Funding received from the counties.

Total General Fund expenditures for the Fiscal Year 2019 were \$6,980,663, an increase of \$520,583 as compared to June 30, 2018. Contributing to this increase in expenditures includes an increase of \$268,368 in Instructional Program Costs and \$103,597 in General Administration Supporting Services. Student Support Services also shows an increase in costs of \$18,302 over the previous Fiscal Year. Lease Purchase Agreement for the cost of two buses and two vehicles will be completed in Fiscal Year 2020.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis, 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 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 funds 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
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

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 supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

The effect of the PERA pension and OPEB expense on the District's total net position for Fiscal Year 2019 and 2018 is summarized below:

| | FY 2019 | FY 2018 |
|---|---------------|---------------|
| Net position (GAAP Basis) | \$ 5,465,123 | \$ 4,066,161 |
| GASB 68 - Pension | 21,741,144 | 23,309,712 |
| GASB 75 - OPEB | 705,376 | 687,357 |
| Net position excluding Pension and OPEB | \$ 27,911,643 | \$ 28,063,230 |

The effect of the PERA pension and OPEB expense on the District's unrestricted net position is summarized below:

| | FY19 | FY18 |
|--|-----------------|-----------------|
| Unrestricted - Net position (GAAP Basis) | \$ (21,476,503) | \$ (23,175,426) |
| GASB 68 - Pension | 21,741,144 | 23,309,712 |
| GASB 75 - OPEB | 705,376 | 687,357 |
| Net position excluding Pension and OPEB | \$ 970,017 | \$ 821,643 |

Management's estimate of the District's proportionate Share of the State On-Behalf Direct Distribution is \$125,291, which is recognized as a contribution and allocation of expenditures in the General Fund.

District-wide Statements

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

The two district-wide statements report the District's net position and how they have changed. Net Position (the difference between the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources) are one way to measure the District's financial position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial position 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 facilities.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

In the district-wide financial statements, the District's activities are grouped into one category:

- **Governmental activities-** Most of the District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. These activities are financed mainly through property taxes and state equalization funds.

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 keep track of specific sources of funding and spending on particular programs. Some funds are required to be established by state law. However, the District establishes many other funds to help it manage and control its finances to achieve certain results.

The District uses two types of funds:

- **Governmental funds-** Most of the District's basic services are included in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general operations and the services it provides. Governmental fund information helps one determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information on the accompanying schedules of the governmental funds statements explains the relationship (or difference) between them.
- **Fiduciary funds-** The District is the agent, or fiduciary, for assets that belong to others, such as the Pupil Activity Agency Fund. The District is responsible for ensuring that the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Analysis of District Financial Position

Center Schools has had stable student population growth over the past few years, making the revenue budgeting process more predictable. The past several fiscal years student population has continued to trend upward, allowing the District to receive more per pupil operating revenue. The District continues to provide support and services for students through outside grants, including Expelled and At-Risk Student Services Grant funding, and other more minor grants. The District received a partial amount of SRS (Secured Rural Services) funding for the 2018-2019 School Year, and, shall receive an additional \$538,579 in Fiscal Year 2020 for funds approved for 2019; however the long-term outlook for this stream of SRS dollars continues to be unpredictable. The District will receive a minor decrease in per pupil funding during the 2019-2020 fiscal year, but will receive continued funding due to more dollars coming

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

in to serve English Language Learners. Extra dollars are made available through the attainment of a Marijuana grant aimed at supporting students physical and mental health services. Other major grants that the District shall receive in the Fiscal Year 2020 include additional funds from the EARSS Grant; and new funding from other major State Grants including the School Health Care Professional Grant, the Colorado Student Re-Engagement Grant, and the Ninth Grade Success Program Grant.

Analysis of Balances and Transactions of Individual Funds

General Fund: The 2018-2019 fiscal year ending fund balance of \$1,386,402 represents an increase of \$139,916 from the previous fiscal year's ending fund balance of \$1,246,486.

Expenditures in the General Fund came in \$409,355 under budget. The District had increased revenues of \$87,177 in Total Revenue. Although Total SRS (Secured Rural Services) Funding was approximately \$373,738 less than what was received in the previous Fiscal Year 2018.

GDPG Fund: Our GDPG Fund revenues for 2018-2019 were \$1,705,829, an increase of \$216,708 from 2017-2018 revenues of \$1,489,121. The District continues to search and receive various grants that will help to subsidize many programs.

Food Service: Total revenues for the fiscal year 2018-2019 was \$481,544. Total expenditures for the 2018-2019 School Year were \$479,077. Ending Fund Balance in the Food Service Fund at June 30, 2019 was \$13,063, an increase of \$2,467 from the Beginning Fund Balance of \$10,596 at June 30, 2018.

Student Activity Fund: Total expenditures from the Student Activity Fund for 2018-2019 were \$34,952, an increase of \$8,076 from the Fiscal Year 2017-2018. The Special Revenue Pupil Activity Fund continues to see expenditures increase primarily due to referee payments and other athletic costs. By the end of the Fiscal Year 2020, it is anticipated that the majority of Fund 74, Trust & Agency Student Funds, will be combined with Fund 23, Special Revenue Pupil Activity Fund.

Bond Redemption Fund: Total Revenues for the Bond Redemption Fund were \$379,924; and, Total Expenditures were \$345,936 at June 30, 2019. The Bond Redemption Fund had an ending fund balance of \$379,978 at June 30, 2019. The Bond Redemption Fund is a debt service fund used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt or long-term voter-approved lease purchase debt. A third party financial institution is the custodian of these funds. The District will maintain this annual debt service until the Fiscal Year ending 2031.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Condensed Financial Information

Condensed Statement of Activities
For the year ended June 30, 2019 and 2018

| | <u>2019</u> | <u>2018</u> |
|--|--|--|
| | <u>Governmental</u> <u>Activities</u> | <u>Governmental</u> <u>Activities</u> |
| Beginning Net Position | \$ 4,066,161 | \$ 9,682,270 |
| Revenues | | |
| Program revenues | | |
| Charges for services | 125,917 | 54,117 |
| Operating grants & contributions | 3,142,323 | 3,038,572 |
| Capital grants & contributions | - | - |
| General revenues | | |
| Property taxes | 1,314,782 | 1,241,738 |
| Other taxes | 136,969 | 190,529 |
| State equalization | 4,856,916 | 4,715,876 |
| Other | 175,778 | 86,220 |
| Total Revenues | <u>9,752,685</u> | <u>9,327,052</u> |
| Expenses | | |
| Instructional Program | 4,060,283 | 7,709,561 |
| Student and Instructional services | 1,533,678 | 2,434,675 |
| Administration and business | 898,431 | 1,609,938 |
| Operations and maintenance | 678,365 | 947,789 |
| Transportation | 277,255 | 421,465 |
| Food Services | 446,971 | 623,342 |
| Interest on Long-Term Debt | 139,904 | 150,846 |
| Other | 318,836 | 364,493 |
| Total Expenses | <u>8,353,723</u> | <u>14,262,109</u> |
| Changes in Net Position | 1,398,962 | (4,935,057) |
| Transfers | - | - |
| Change in Accounting Principle | - | (681,052) |
| Increase (decrease) in Net Position | <u>1,398,962</u> | <u>(5,616,109)</u> |
| Net Position, Beginning of the Year, Year, Restated | 4,066,161 | 9,001,218 |
| Net Position, End of Year | <u>\$ 5,465,123</u> | <u>\$ 4,066,161</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Condensed Financial Information (continued)

Condensed Statement of Changes in Net Position
For the year ended June 30, 2019 and 2018

| | 2019 | 2018 |
|--------------------------------------|------------------------------------|------------------------------------|
| | Governmental Activities | Governmental Activities |
| Assets | | |
| Current assets | \$ 2,884,558 | \$ 2,577,272 |
| Capital assets | 29,501,317 | 30,116,097 |
| Total Assets | 32,385,875 | 32,693,369 |
| | | |
| Deferred Outflows of Resources | 4,808,848 | 8,877,093 |
| Liabilities | | |
| Current liabilities | 1,310,549 | 1,250,296 |
| Noncurrent liabilities | 19,361,710 | 34,706,875 |
| Total Liabilities | 20,672,259 | 35,957,171 |
| | | |
| Deferred Inflows of Resources | 11,057,341 | 1,547,130 |
| Net Position | | |
| Net Investment in Capital Assets | 26,208,024 | 26,557,430 |
| Restricted for TABOR | 245,000 | 220,000 |
| Restricted for Preschool | 108,624 | 118,167 |
| Restricted for Debt | 379,978 | 345,990 |
| Unrestricted | (21,476,503) | (23,175,426) |
| Total Net Position | \$ 5,465,123 | \$ 4,066,161 |

Description of Capital Assets

The bulk of our capital assets lie in buildings and equipment. By July 2012 our previous facilities had been demolished and we were moving into a brand new PK-12 facility valued at 31 million dollars.

Long term debt as of June 30, 2019 totaled \$3,410,107. Of this amount, \$3,263,840 is in the form of General Obligation Bonds for construction of a new school; \$29,453 in the form of a lease purchase construction agreement for the purchase of two new buses and two new vans which will be completed in the Fiscal Year 2020. In addition, there were compensated absences payables of \$116,814.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Capital Assets at June 30, 2019

| | 2019 | 2018 |
|--------------------------|----------------------------|----------------------------|
| | Governmental Activities | Governmental Activities |
| Land | \$ 69,214 | \$ 69,214 |
| Construction in Progress | - | - |
| Land Improvements | 1,568,951 | 1,693,348 |
| Infrastructure | 43,201 | 47,777 |
| Equipment | 552,039 | 585,797 |
| Buildings | 27,267,912 | 27,719,961 |
| Total | \$ 29,501,317 | \$ 30,116,097 |

Currently Known Facts that are expected to have a Future Material Effect

High stakes testing, increasing expectations for student achievement, and required implementation of unfunded reform mandates by both the State of Colorado and the Federal Government will continue to effect where we prioritize our future expenditures. Center School District received a performance rating of Improvement. We will continue to address student needs as identified in our results through the budgeting process.

The pressure to continue to raise student achievement to meet the requirements of state accreditation and community desires will require us to continue to invest tremendously in staff salaries for highly qualified teachers and in staff development targeted at meeting the improvement strategies we have identified through analysis of our annual student achievement results.

This pressure for increased student performance also weighs against the fact that our student population is highly at-risk and we still do not receive adequate dollars to achieve sustained growth.

Staffing is currently being run at a level that is somewhat conducive to good education practices. However, with so much funding tied to soft dollars such as federal grants and SRS we will need to continue to take a close look at what level of staffing we can afford as dollars continue to go away.

As always, we expect we will continue to be asked to do more with less. Doing so will continue to put a strain on our ability to maintain required reserves and to continue on our path to a more healthy financial outlook.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
Management Discussion and Analysis
For the Fiscal Year Ended June 30, 2019

Budget Variations That Are Expected to Have a Significant Effect on Future Services/Liquidity

The District will strive to meet the needs of the children of this community and stands by its guarantee to each child to provide an exceptional education from the programs and funding available.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, 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 Office, Center School District 26JT, Center, Colorado 81125 or call 719-754-3442.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

BASIC FINANCIAL STATEMENTS

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
STATEMENT OF NET POSITION
June 30, 2019

| | Primary Government Governmental Activities |
|---|---|
| ASSETS | |
| Current Assets | |
| Cash and Cash Equivalents | \$ 2,323,593 |
| Accounts Receivable | 50,447 |
| Due from Other Governments | 505,916 |
| Inventory | 4,602 |
| Total Current Assets | 2,884,558 |
| Noncurrent Assets | |
| Capital Assets | |
| Land | 69,214 |
| Land Improvements | 2,475,797 |
| Buildings | 30,625,176 |
| Equipment | 3,030,981 |
| Infrastructure | 91,517 |
| Less Accumulated Depreciation | (6,791,368) |
| Total Noncurrent Assets | 29,501,317 |
| TOTAL ASSETS | 32,385,875 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Pensions | 4,739,144 |
| OPEB | 69,704 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 4,808,848 |
| Current Liabilities | |
| Accrued Interest Payable | 12,436 |
| Accounts Payable | 90,670 |
| Checks in Excess of Deposits | 16,830 |
| Accrued Salaries and Benefits | 698,478 |
| Due to Agency Fund | 463 |
| Unearned Grant Revenue | 245,248 |
| General Obligation Bonds | 216,196 |
| Compensated Absences | 775 |
| Lease Purchase Agreements | 29,453 |
| Total Current Liabilities | 1,310,549 |
| Noncurrent Liabilities | |
| General Obligation Bonds | 3,047,644 |
| Compensated Absences | 116,039 |
| Net Pension Liability | 15,427,638 |
| Net OPEB Liability | 770,389 |
| Total Noncurrent Liabilities | 19,361,710 |
| TOTAL LIABILITIES | 20,672,259 |
| DEFERRED INFLOWS OF RESOURCES | |
| Pensions | 11,052,650 |
| OPEB | 4,691 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 11,057,341 |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
STATEMENT OF NET POSITION
June 30, 2019

| | Primary Government Governmental Activities |
|----------------------------------|---|
| NET POSITION | |
| Net Investment in Capital Assets | 26,208,024 |
| Restricted for: | |
| TABOR | 245,000 |
| Preschool | 108,624 |
| Debt Service | 379,978 |
| Unrestricted | (21,476,503) |
| TOTAL NET POSITION | \$ 5,465,123 |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

| <u>Functions/Programs</u> | <u>Expenses</u> | <u>Program Revenues</u> | | | <u>Net (Expense)</u> |
|--|---------------------|---|---|---|--|
| | | <u>Charges</u> <u>for</u> <u>Services</u> | <u>Operating</u> <u>Grants &</u> <u>Contributions</u> | <u>Capital</u> <u>Grants &</u> <u>Contributions</u> | <u>Revenue and</u> <u>Changes in</u> <u>Net Position</u> |
| Primary Government: | | | | | Primary |
| Governmental Activities: | | | | | Government |
| Instructional Program | \$ 4,060,283 | \$ 66,394 | \$ 1,480,988 | \$ - | \$ (2,512,901) |
| Student Supporting Services | 576,882 | 36,308 | 908,685 | - | 368,111 |
| Instructional Staff Supporting Services | 956,796 | - | 55,113 | - | (901,683) |
| General Administration Supporting Services | 413,437 | - | 5,086 | - | (408,351) |
| School Administration Supporting Services | 379,249 | - | 8,796 | - | (370,453) |
| Business Supporting Services | 105,745 | - | 2,753 | - | (102,992) |
| Operations & Maintenance of Plant Services | 678,365 | 200 | 6,136 | - | (672,029) |
| Student Transportation Services | 277,255 | - | 101,460 | - | (175,795) |
| Central Supporting Services | 136,749 | - | - | - | (136,749) |
| Non Instructional Parent Services | 83,874 | - | - | - | (83,874) |
| Community Services | 98,213 | - | 92,145 | - | (6,068) |
| Food Services | 446,971 | 23,015 | 481,161 | - | 57,205 |
| Interest on Long-term Debt | 139,904 | - | - | - | (139,904) |
| Total Governmental Activities | <u>8,353,723</u> | <u>125,917</u> | <u>3,142,323</u> | <u>-</u> | <u>(5,085,483)</u> |
| Total Primary Government | <u>\$ 8,353,723</u> | <u>\$ 125,917</u> | <u>\$ 3,142,323</u> | <u>\$ -</u> | <u>(5,085,483)</u> |
| | | General Revenues: | | | |
| | | Taxes: | | | |
| | | | | | 1,314,782 |
| | | | | | 136,232 |
| | | | | | 737 |
| | | | | | 4,856,916 |
| | | | | | 175,778 |
| | | | | | <u>6,484,445</u> |
| | | | | | 1,398,962 |
| | | | | | <u>4,066,161</u> |
| | | | | | <u>\$ 5,465,123</u> |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2019

| | GENERAL FUND | GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND | BOND REDEMPTION FUND | TOTAL NONMAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|-------------------------------------|-------------------------|--|-------------------------------------|-------------------------------------|---|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 1,888,951 | \$ - | \$ 357,750 | \$ 76,892 | \$ 2,323,593 |
| Accounts Receivable | 50,447 | - | - | - | 50,447 |
| Due from Other Funds | 39,262 | - | - | 823 | 40,085 |
| Due from Other Governments | 167,274 | 316,414 | 22,228 | - | 505,916 |
| Inventory | - | - | - | 4,602 | 4,602 |
| TOTAL ASSETS | \$ 2,145,934 | \$ 316,414 | \$ 379,978 | \$ 82,317 | \$ 2,924,643 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 86,349 | \$ 3,430 | \$ - | \$ 891 | \$ 90,670 |
| Checks in Excess of Deposits | - | 16,830 | - | - | 16,830 |
| Accrued Salaries and Benefits | 652,313 | 38,454 | - | 7,711 | 698,478 |
| Due to Other Funds | - | 9,712 | - | 30,836 | 40,548 |
| Unearned Grant Revenue | 20,870 | 224,378 | - | - | 245,248 |
| TOTAL LIABILITIES | 759,532 | 292,804 | - | 39,438 | 1,091,774 |
| FUND BALANCE | | | | | |
| Nonspendable: | | | | | |
| Inventory | - | - | - | 4,602 | 4,602 |
| Restricted for: | | | | | |
| TABOR 3% Reserve | 245,000 | - | - | - | 245,000 |
| Preschool | 108,624 | - | - | - | 108,624 |
| Debt Service | - | - | 379,978 | - | 379,978 |
| Committed for: | | | | | |
| Grants | - | 23,610 | - | - | 23,610 |
| Pupil Activity Fund | - | - | - | 29,816 | 29,816 |
| Food Services | - | - | - | 8,461 | 8,461 |
| Unassigned: | 1,032,778 | - | - | - | 1,032,778 |
| TOTAL FUND BALANCE | 1,386,402 | 23,610 | 379,978 | 42,879 | 1,832,869 |
| TOTAL LIABILITIES AND EQUITY | \$ 2,145,934 | \$ 316,414 | \$ 379,978 | \$ 82,317 | \$ 2,924,643 |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2019

| | | |
|--|------------------|----------------------------|
| Total governmental fund balances | | \$ 1,832,869 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. | | 29,501,317 |
| Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position. | | 4,808,848 |
| Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. | | |
| General Obligation Refunding Bonds | \$ (3,263,840) | |
| Accrued Interest Payable | (12,436) | |
| Lease Purchase Agreements | (29,453) | |
| Compensated Absences | <u>(116,814)</u> | |
| | | (3,422,543) |
| Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds. | | (16,198,027) |
| Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds. | | <u>(11,057,341)</u> |
| Net position of governmental activities | | <u><u>\$ 5,465,123</u></u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2019

| | GENERAL FUND | GOVERNMENTAL DESIGNATED PURPOSE FUNDS | BOND REDEMPTION FUND | TOTAL NONMAJOR FUNDS | TOTAL GOVERNMENTAL FUNDS |
|---|---------------------|---|----------------------------|----------------------------|--------------------------------|
| REVENUES | | | | | |
| Federal Sources | \$ 176,530 | \$ 554,639 | \$ - | \$ 458,529 | \$ 1,189,698 |
| State Sources | 5,463,499 | 954,634 | - | - | 6,418,133 |
| Intermediate Sources | 25,118 | - | - | - | 25,118 |
| Local Sources | 1,435,278 | 196,556 | 379,924 | 69,072 | 2,080,830 |
| TOTAL REVENUES | 7,100,425 | 1,705,829 | 379,924 | 527,601 | 9,713,779 |
| EXPENDITURES | | | | | |
| Instructional Program | 3,869,089 | 394,379 | - | 34,952 | 4,298,420 |
| Student Supporting Services | 216,216 | 490,300 | - | - | 706,516 |
| Instructional Staff Supporting Services | 580,673 | 599,510 | - | - | 1,180,183 |
| General Administration Supporting Services | 477,892 | - | - | - | 477,892 |
| School Administration Supporting Services | 488,111 | - | - | - | 488,111 |
| Business Supporting Services | 139,818 | - | - | - | 139,818 |
| Operations and Maintenance of Plant Services | 748,805 | - | - | - | 748,805 |
| Student Transportation Services | 229,547 | 53,945 | - | - | 283,492 |
| Central Supporting Services | 136,749 | - | - | - | 136,749 |
| Non Instructional Parent Services | - | 83,874 | - | - | 83,874 |
| Community Services | 34,421 | 63,792 | - | - | 98,213 |
| Food Services | - | 18,815 | - | 479,077 | 497,892 |
| Debt Service | 59,342 | - | 345,936 | - | 405,278 |
| TOTAL EXPENDITURES | 6,980,663 | 1,704,615 | 345,936 | 514,029 | 9,545,243 |
| Excess (deficiency) of revenues over expenditures | 119,762 | 1,214 | 33,988 | 13,572 | 168,536 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Sale of Capital Assets | 38,906 | - | - | - | 38,906 |
| Transfer from Other Funds | - | 18,752 | - | - | 18,752 |
| Transfer to Other Funds | (18,752) | - | - | - | (18,752) |
| TOTAL OTHER FINANCING SOURCES (USES) | 20,154 | 18,752 | - | - | 38,906 |
| Net Change in Fund Balance | 139,916 | 19,966 | 33,988 | 13,572 | 207,442 |
| FUND BALANCE, Beginning of Year | 1,246,486 | 3,644 | 345,990 | 29,307 | 1,625,427 |
| FUND BALANCE, End of Year | \$ 1,386,402 | \$ 23,610 | \$ 379,978 | \$ 42,879 | \$ 1,832,869 |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2019

Net change in fund balances - total governmental funds \$ 207,442

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the fixed asset activity.

| | | | |
|-------------------------|----|------------------|-----------|
| Capital asset additions | \$ | 59,075 | |
| Capital Asset Deletions | | (55,790) | |
| Depreciation expense | | <u>(618,065)</u> | |
| | | | (614,780) |

Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

| | | | |
|---|----|---------------|---------|
| Principal payment on general obligation bonds | \$ | 207,717 | |
| Principal payment on lease purchase agreement | | <u>57,657</u> | |
| | | | 265,374 |

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

| | | | |
|----------------------|--|--|---------|
| Compensated absences | | | (9,623) |
|----------------------|--|--|---------|

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expense.

1,550,549

Change in net position of governmental funds \$ 1,398,962

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
FIDUCIARY FUND
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2019

| | <u>PUPIL ACTIVITY AGENCY FUND</u> |
|---------------------------|---------------------------------------|
| ASSETS | |
| Cash | \$ 115,003 |
| Due from Other Funds | <u>463</u> |
| TOTAL ASSETS | <u><u>\$ 115,466</u></u> |
| LIABILITIES | |
| Accounts Payable | \$ 1,259 |
| Pupil Activities Deposits | <u>114,207</u> |
| TOTAL LIABILITIES | <u><u>\$ 115,466</u></u> |

The accompanying notes are an integral part of this financial statement.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*.

REPORTING ENTITY

Primary Government

Center Consolidated School District 26JT is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the District. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of District funds and acquire short-term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The District holds the corporate powers of the organization
- The District appoints a voting majority of the organization's board
- The District is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the District
- There is fiscal dependency by the organization on the District
- The organization is financially accountable to the District
- The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District.

Based on the aforementioned criteria, the Center Consolidated School District 26JT has no component units.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements include the Statement of Net Position and the Statement of Activities. Government-wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

The Statement of Activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- Charges to customers or applicants who purchase, use, or directly benefit from services, or privileges provided by a given function or segment and
- Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds. All remaining governmental funds, if any, are aggregated and reported as nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded 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 are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The **Governmental Designated Purpose Grants Fund** is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.
- The **Bond Redemption Fund** is a debt service fund used to account for the accumulation of resources for and the payment of principal, interest, and related expenses on long-term general obligation debt or long-term voter-approved lease-purchase debt.

Fiduciary fund financial statements consist of the Agency Fund established to record transactions relating to assets held by the District in a trustee capacity or as an agent for student organizations. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The School District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories

Purchased inventories are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

USDA Commodities

The Food Service Fund receives donated commodities to use in meal preparation from the U.S. Department of Agriculture. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as an expenditure.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets, which include land, land improvements, buildings, equipment, vehicles, and construction in progress are reported in the applicable governmental activities columns in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|-----------------------|-------|
| Land Improvements | 15-60 |
| Buildings | 6-80 |
| Machinery & Equipment | 5-20 |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Compensated Absences

Teachers, administrative staff and full time classified staff of the District can accumulate up to 60 days of sick leave. Upon retirement from the District, a teacher will receive the certified substitute teacher's rate per day for each sick day accumulated. For departure other than retirement, the teacher will be paid for accumulated sick days up to 36 days at 50% of the substitute teacher rate, and at 75% of the substitute teacher rate for the remaining accumulated days.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applied to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditures) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions and OPEB must be deferred.

Pensions

The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan 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.

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of the annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

Other Post-Employment Benefits (OPEB)

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

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

- *Nonspendable Fund Balance*- amounts that cannot be spent because they are not in spendable form, such as inventory and prepaid insurance.
- *Restricted Fund Balance*- restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*- amounts that can only be used for specific purposes as a result of constraints imposed by resolution of the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removed those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- *Assigned Fund Balance*- amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*- amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Encumbrances

The District does not record purchase orders in the accounting system until invoices are ready for payment. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as designated fund balance.

Use of Estimates

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

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

Center Consolidated School District 26JT follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than June 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. The Board of Education adopted supplemental appropriations during fiscal year 2019.

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget if applicable.

NOTE 3 CASH, DEPOSITS, AND INVESTMENTS

At June 30, 2019, the District's cash, deposits, and investments were reported in the financial statements as follows:

| | | |
|--|----|-----------|
| Cash in Bank | \$ | 2,063,316 |
| Cash on Hand | | 700 |
| Investments | | 357,750 |
| Less: Amounts Related to Agency Funds | | (115,003) |
| Add: Checks in excess of bank deposits | | 16,830 |
| | | 16,830 |
| Total Cash and Deposits | \$ | 2,323,593 |

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds 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 102% of the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$2,340,243, of the District's bank balance of \$2,590,243 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Investments

Colorado Statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

- Certain money market funds
- Guaranteed investment contracts
- Corporate or bank debt issued by eligible corporations or banks

Fair Value – Fair value investments classified at Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

The Invesco-Stit Treasury Portfolio is an open-end money market mutual fund incorporated in the USA. The Fund aims to provide current income consistent with preservation of capital and liquidity. The Fund invests in direct obligations of the U.S. treasury and repurchase agreements backed by treasury obligations. The Fund will maintain a weighted average maturity of 60 days or less. Each share is equal in value to \$1.00. This investment is valued using level 2 inputs.

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The risk that an issuer or other counterparty to an investment will not fulfill its obligation. State statutes limit investments in U.S. Agency securities to the highest rating issued by National Recognized Statistical Rating Organizations (NRSROs).

Concentration of Credit Risk – The risk of loss attributed to the magnitude of a government’s investment in a single issuer. The District has not established a policy limiting the investment in any type of security and deems it unnecessary at this time.

NOTE 4 ACCOUNTS RECEIVABLE

Governmental activities accounts receivable at June 30, 2019, consisted of the following:

| | |
|--------------|------------------|
| General Fund | <u>\$ 50,447</u> |
|--------------|------------------|

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2019, the District had \$481,951 due from federal, state, and local governments, reflected as intergovernmental receivables in the accompanying basic financial statements.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables and Payables

The District reports interfund balances between some of its funds. The balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund balances are generally expected to be repaid within one year of the financial statement date. Interfund receivable and payable balances at June 30, 2019, were as follows:

| Receivable Fund | Payable Fund | Amount |
|-------------------|---------------------------------------|-----------|
| General Fund | Governmental Des. Purpose Grants Fund | \$8,439 |
| General Fund | Food Service Fund | 30,823 |
| Food Service Fund | Governmental Des. Purpose Grants Fund | 823 |
| Agency Fund | Governmental Des. Purpose Grants Fund | 450 |
| Agency Fund | Pupil Activity Fund | 13 |
| | | \$ 40,548 |

Interfund Transfers

Interfund transfers for the year ended June 30, 2019, were as follows:

| Transfer In | Transfer Out | Amount |
|---------------------------------------|--------------|-----------|
| Governmental Des. Purpose Grants Fund | General Fund | \$ 18,752 |

This transfer was made to cover grant overruns in the Governmental Designated Purpose Grants Fund.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
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NOTE 7 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

| | Balance 06/30/2018 | Additions | Deletions | Balance 06/30/2019 |
|---|-----------------------------|----------------------------|-------------------------|-----------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 69,214 | \$ - | \$ - | \$ 69,214 |
| Total capital assets not being depreciated | <u>69,214</u> | <u>-</u> | <u>-</u> | <u>69,214</u> |
| Capital assets being depreciated | | | | |
| Land Improvements | 2,475,797 | - | - | 2,475,797 |
| Buildings | 30,693,788 | 14,268 | 82,880 | 30,625,176 |
| Equipment | 3,001,174 | 44,807 | 15,000 | 3,030,981 |
| Infrastructure | 91,517 | - | - | 91,517 |
| Total capital assets being depreciated | <u>36,262,276</u> | <u>59,075</u> | <u>97,880</u> | <u>36,223,471</u> |
| Less accumulated depreciation for: | | | | |
| Land Improvements | 782,449 | 124,397 | - | 906,846 |
| Buildings | 2,973,827 | 410,527 | 27,090 | 3,357,264 |
| Equipment | 2,415,377 | 78,565 | 15,000 | 2,478,942 |
| Infrastructure | 43,740 | 4,576 | - | 48,316 |
| Total capital assets being depreciated | <u>6,215,393</u> | <u>618,065</u> | <u>42,090</u> | <u>6,791,368</u> |
| Total Capital Assets being depreciated, net | <u>30,046,883</u> | <u>(558,990)</u> | <u>55,790</u> | <u>29,432,103</u> |
| Governmental Activities, net | <u><u>\$ 30,116,097</u></u> | <u><u>\$ (558,990)</u></u> | <u><u>\$ 55,790</u></u> | <u><u>\$ 29,501,317</u></u> |

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

| | |
|--|--------------------------|
| Governmental activities: | |
| Instructional Program | \$ 540,319 |
| General Administration Supporting Services | 20,638 |
| Operations & Maintenance of Plant Services | 5,490 |
| Student Transportation Services | 39,641 |
| Food Services | <u>11,977</u> |
| Total depreciation expense - governmental activities | <u><u>\$ 618,065</u></u> |

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NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis; therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$698,478.

NOTE 9 OPERATING LEASES

The District has entered into several operating lease arrangements for several copy machines. These leases are considered for accounting purposes as operating leases. Lease expenses for the year totaled approximately \$15,457.

NOTE 10 LONG-TERM LIABILITIES

Changes in Long-Term Debt

Long-term liability balances for the year ended June 30, 2019, were as follows:

| | Balance 06/30/2018 | Additions | Deletions | Balance 06/30/2019 | Due Within One Year |
|--------------------------------|-----------------------|-----------------|-------------------|-----------------------|------------------------|
| Governmental Activities | | | | | |
| G.O. Bonds Payable | \$ 3,471,557 | \$ - | \$ 207,717 | \$ 3,263,840 | \$ 216,196 |
| Lease Purchase Agreements | 87,110 | - | 57,657 | 29,453 | 29,453 |
| Compensated Absences | 107,191 | 9,623 | - | 116,814 | 775 |
| Total | \$ 3,665,858 | \$ 9,623 | \$ 265,374 | \$ 3,410,107 | \$ 246,424 |

General Obligation Bonds

On December 16, 2010, the District issued general obligation bonds series 2010D-F in the amount of \$4,722,233 with an interest rate of 4.082% to be paid in full December 1, 2030. The bonds were issued for the District's match for the Building Excellent Schools Today Act (BEST) grant for the construction of a new school.

The annual debt service for the General Obligation Bonds is as follows:

| | Principal | Interest | Totals |
|--------------|---------------------|-------------------|---------------------|
| FY 2020 | \$ 216,196 | \$ 128,817 | \$ 345,013 |
| FY 2021 | 225,021 | 119,812 | 344,833 |
| FY 2022 | 234,206 | 110,439 | 344,645 |
| FY 2023 | 243,767 | 100,684 | 344,451 |
| FY 2024 | 253,717 | 90,530 | 344,247 |
| FY 2025-2029 | 1,432,656 | 285,233 | 1,717,889 |
| FY 2030-2031 | 658,277 | 27,140 | 685,417 |
| | \$ 3,263,840 | \$ 862,655 | \$ 4,126,495 |

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Lease Purchase Agreements

The District entered into a lease purchase agreement dated August 12, 2014, to purchase two buses and two vehicles. The lease was for \$276,016 with an interest rate of 2.88%. Payments are due semiannually, commencing March 1, 2015 through 2019, from the General Fund. The balance at June 30, 2019 was \$29,453. The cost of the two buses and two vehicles was \$276,016 and accumulated depreciation was \$92,010 at June 30, 2019.

The annual debt service for the Lease Purchase Agreements is as follows:

| | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|---------|------------------|-----------------|------------------|
| FY 2020 | <u>\$ 29,453</u> | <u>\$ 424</u> | <u>\$ 29,877</u> |

NOTE 11 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 will

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receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 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 will receive the lesser of an annual increase of 1.5 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. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2018. Eligible employees, the District, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

| | January 1, 2018 Through June 30, 2018 | January 1, 2019 Through December 31, 2019 |
|---|---|---|
| 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 | 5.50% | 5.50% |
| Total Employer Contribution Rate SCHDTF | <u>19.13%</u> | <u>19.13%</u> |

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. For Fiscal Year 2019, the portion of the direct distribution allocated to the District was \$125,291.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$947,014, for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on the District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the District reported a liability of \$15,427,638 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

| | |
|---|---------------|
| Center Consolidated School District's proportionate share of the net position liability | \$ 15,427,638 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Center Consolidated School District | 2,109,515 |
| Total | \$ 17,537,153 |

At December 31, 2018, the District's proportion was 0.0871 percent, which was a decrease of .0076 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of (\$1,568,568) and revenue of \$125,291 for support from the State as a nonemployer contributing entity. At June 30, 2019, the District 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 | \$ 523,323 | \$ - |
| Changes of assumptions or other inputs | 2,879,635 | 9,594,332 |
| Net difference between projected and actual earnings on pension plan investments | 840,903 | - |
| Changes in proportionate share | - | 1,458,318 |
| Contributions subsequent to the measurement date | 495,283 | - |
| Total | \$ 4,739,144 | \$ 11,052,650 |

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\$495,283 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, | |
|---------------------|-------------|
| 2020 | (1,212,069) |
| 2021 | (3,637,245) |
| 2022 | (2,419,465) |
| 2023 | 459,990 |
| 2024 | - |
| Thereafter | - |

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following 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 | 4.78 percent |
| Post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; | 2.00 percent compounded annually |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve (AIR) |

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

| | |
|---|---|
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 | 0% through 2019 and 1.5% Compounded annually, thereafter |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

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.

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Healthy post-retirement mortality assumptions reflect the RP-2014 White Collar Employee 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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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 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:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

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- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

Sensitivity of District 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 7.25 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 (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 pension liability | \$ 19,613,603 | \$ 15,427,638 | \$ 11,914,908 |

Pension plan fiduciary net position- Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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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.

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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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 on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$50,494 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$770,389 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

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At December 31, 2018, the District proportion was 0.0566 percent, which was an increase of 0.0028 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the District recognized OPEB expense of \$18,019. At June 30, 2019, District 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 | \$ 2,796 | \$ 1,173 |
| Net difference between projected and actual earnings on OPEB plan investments | 4,430 | - |
| Changes of assumptions or other inputs | 5,405 | - |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 30,665 | 3,518 |
| Contributions subsequent to the measurement date | 26,408 | - |
| Total | <u>\$ 69,704</u> | <u>\$ 4,691</u> |

\$26,408 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, | |
|---------------------|--------|
| 2020 | 7,086 |
| 2021 | 7,086 |
| 2022 | 7,087 |
| 2023 | 10,163 |
| 2024 | 6,907 |
| Thereafter | 276 |

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|---------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 5.00 percent |

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Medicare Part A premiums 3.25 percent for 2018,
gradually rising to 5.00
percent in 2025

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.

The actuarial assumptions used in December 31, 2017, 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 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

| Medicare Plan | Cost for Members Without Medicare Part A | Premiums for Members Without Medicare Part A |
|--|---|---|
| Self-Funded Medicare Supplement Plans | \$736 | \$367 |
| Kaiser Permanente Medicare Advantage HMO | 602 | 236 |
| Rocky Mountain Health Plans Medicare HMO | 611 | 251 |
| UnitedHealthcare Medicare HMO | 686 | 213 |

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

| Medicare Plan | Cost for Members Without Medicare Part A |
|--|---|
| Self-Funded Medicare Supplement Plans | \$289 |
| Kaiser Permanente Medicare Advantage HMO | 300 |
| Rocky Mountain Health Plans Medicare HMO | 270 |
| UnitedHealthcare Medicare HMO | 400 |

All costs are subject to the health care cost trend rates, as discussed below.

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

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

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2017, 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 |
|-------|----------------------------|-----------------------------|
| 2018 | 5.00% | 3.25% |
| 2019 | 5.00% | 3.50% |
| 2020 | 5.00% | 3.75% |
| 2021 | 5.00% | 4.00% |
| 2022 | 5.00% | 4.25% |
| 2023 | 5.00% | 4.50% |
| 2024 | 5.00% | 4.75% |
| 2025+ | 5.00% | 5.00% |

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 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 health care cost assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.
- 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.

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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:

| 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 | <u>100.00%</u> | |

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%.

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| PERACare Medicare trend rate | 4.00% | 5.00% | 6.00% |
| Initial Medicare Part A trend rate | 2.25% | 3.25% | 4.25% |
| Ultimate Medicare Part A trend rate | 4.00% | 5.00% | 6.00% |
| Net OPEB Liability | <u>\$749,116</u> | <u>\$770,389</u> | <u>\$794,858</u> |

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, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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 middle of the year.

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.

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June 30, 2019

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$ 861,999 | \$ 770,389 | \$ 692,072 |

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

NOTE 13 DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. For the year ended June 30, 2019, program members contributed \$20,320, for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES AND RELATED PARTIES

The District participates in the following entities. These joint ventures and related parties do not meet the criteria for inclusion within the reporting entity because the following entities:

- are financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- have a separate governing board from that of the District,
- have a separate management which is responsible for day-to-day operations and is accountable to the separate governing board,
- have governing boards and management with the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and
- have absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

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June 30, 2019

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of the BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2019. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' 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, and other coverage. The Board of Directors is composed of eight persons, several of who 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, 2019. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

On November 3, 1998 voters approved a ballot which stated that the District is authorized to collect, retain and expend all revenues including grants and other funds collected during FY 1998 and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least 3 percent of fiscal year spending. This Emergency Reserve has been presented as restricted fund balance in the General Fund balance sheet and a restricted net position in the government-wide statement of net position. The District is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2019

NOTE 16 COMMITMENTS AND CONTINGENCIES

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 17 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from the Colorado School Districts Self-Insurance Pool. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

NOTE 18 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

The District is required by the Colorado School District Budget Law to budget for the District's Pupil Activity Agency Fund. In accordance with GAAP, however, there is not a statement of revenues and expenses and changes in fund balance for agency funds to report the budget information, because agency funds do not recognize revenues, expenses or fund balance in accordance with GAAP. Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2019, are presented below:

| | <u>BUDGET</u> | | <u>ACTUAL</u> | <u>VARIANCE</u> |
|--|------------------|------------------|-------------------|-------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | |
| Agency Fund Receipts | \$ 202,250 | \$ 202,250 | \$ 107,761 | \$ (94,489) |
| Agency Fund Disbursements | <u>(304,338)</u> | <u>(304,118)</u> | <u>(116,213)</u> | <u>187,905</u> |
| Increase (Decrease) in Student Activities Deposits | (102,088) | (101,868) | (8,452) | 93,416 |
| Beginning Balance of Student Activities Deposits | <u>102,088</u> | <u>101,868</u> | <u>122,659</u> | <u>20,791</u> |
| Ending Balance of Student Activities Deposits | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 114,207</u> | <u>\$ 114,207</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension and OPEB plan contributions and the District's proportionate share of the net pension and OPEB liability is required to supplement the basic financial statements.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2019

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|---|-------------------------|--------------------|---------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Federal Sources | \$ 10,000 | \$ 10,000 | \$ 176,530 | \$ 166,530 |
| State Sources | 5,302,058 | 5,302,058 | 5,463,499 | 161,441 |
| Local Sources | 325,689 | 325,689 | 1,435,278 | 1,109,589 |
| Intermediate Sources | 3,603 | 3,603 | 25,118 | 21,515 |
| TOTAL REVENUES | <u>5,641,350</u> | <u>5,641,350</u> | <u>7,100,425</u> | <u>1,459,075</u> |
| EXPENDITURES | | | | |
| Instructional Program | 3,402,658 | 3,402,658 | 3,869,089 | (466,431) |
| Student Supporting Services | 193,227 | 193,227 | 216,216 | (22,989) |
| Instructional Staff Supporting Services | 563,090 | 563,090 | 580,673 | (17,583) |
| General Administration Supporting Services | 495,115 | 495,115 | 477,892 | 17,223 |
| School Administration Support Services | 435,696 | 435,696 | 488,111 | (52,415) |
| Business Supporting Services | 134,235 | 134,235 | 139,818 | (5,583) |
| Operations and Maintenance of Plant Services | 856,126 | 856,126 | 748,805 | 107,321 |
| Student Transportation Services | 258,213 | 258,213 | 229,547 | 28,666 |
| Central Supporting Services | 115,963 | 115,963 | 136,749 | (20,786) |
| Community Services | 84,920 | 84,920 | 34,421 | 50,499 |
| Debt Service | 179,006 | 179,006 | 59,342 | 119,664 |
| Reserves | 931,769 | 671,769 | - | 671,769 |
| TOTAL EXPENDITURES | <u>7,650,018</u> | <u>7,390,018</u> | <u>6,980,663</u> | <u>409,355</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,008,668)</u> | <u>(1,748,668)</u> | <u>119,762</u> | <u>1,868,430</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Sale of Capital Assets | - | - | 38,906 | 38,906 |
| Transfer to Other Funds | (17,000) | (17,000) | (18,752) | (1,752) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>(17,000)</u> | <u>(17,000)</u> | <u>20,154</u> | <u>37,154</u> |
| Net Change in Fund Balance | (2,025,668) | (1,765,668) | 139,916 | 1,905,584 |
| Fund Balance, Beginning of Year | <u>1,765,668</u> | <u>1,765,668</u> | <u>1,246,486</u> | <u>(519,182)</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,386,402</u> | <u>\$ 1,386,402</u> |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2019

| | BUDGETED AMOUNTS | | ACTUAL | VARIANCE WITH |
|---|-------------------------|------------------|------------------|----------------------|
| | ORIGINAL | FINAL | | FINAL BUDGET |
| | | | | POSITIVE |
| | | | | (NEGATIVE) |
| REVENUES | | | | |
| Federal Sources | \$ - | \$ 632,965 | \$ 554,639 | \$ (78,326) |
| State Sources | - | 1,078,653 | 954,634 | (124,019) |
| Intermediate Sources | - | 6,500 | - | (6,500) |
| Local Sources | - | 198,820 | 196,556 | (2,264) |
| TOTAL REVENUES | - | 1,916,938 | 1,705,829 | (211,109) |
| EXPENDITURES | | | | |
| Instructional Program | - | 853,527 | 394,379 | 459,148 |
| Student Supporting Services | - | 571,359 | 490,300 | 81,059 |
| Instructional Staff Supporting Services | - | 323,226 | 599,510 | (276,284) |
| Student Transportation Services | - | 11,761 | 53,945 | (42,184) |
| Non Instructional Parent Services | - | 66,260 | 83,874 | (17,614) |
| Community Services | - | 71,310 | 63,792 | 7,518 |
| Food Services | - | 19,495 | 18,815 | 680 |
| TOTAL EXPENDITURES | - | 1,916,938 | 1,704,615 | 212,323 |
| Excess (deficiency) of revenues over expenditures | - | - | 1,214 | 1,214 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer from Other Funds | - | - | 18,752 | 18,752 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | 18,752 | 18,752 |
| Net Change in Fund Balance | - | - | 19,966 | 19,966 |
| Fund Balance, Beginning of Year | - | - | 3,644 | 3,644 |
| Fund Balance, End of Year | \$ - | \$ - | \$ 23,610 | \$ 23,610 |

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| District's proportion of the net pension liability | 0.0871270749% | 0.0947155023% | 0.0953840852% | 0.0979193776% | 0.0996653595% | 0.1070484432% |
| District's proportionate share of the net pension liability (asset) | \$ 15,427,638 | \$ 30,627,627 | \$ 28,399,530 | \$ 14,976,078 | \$ 13,508,004 | \$ 13,654,000 |
| State's proportionate share of the net pension liability (asset) associated with the District | <u>2,109,515</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 17,537,153</u> | <u>\$ 30,627,627</u> | <u>\$ 28,399,530</u> | <u>\$ 14,976,078</u> | <u>\$ 13,508,004</u> | <u>\$ 13,654,000</u> |
| District's covered payroll | \$ 4,794,633 | \$ 4,368,996 | \$ 4,276,696 | \$ 4,374,182 | \$ 4,175,186 | \$ 4,315,474 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 322% | 701% | 664% | 342% | 324% | 316% |
| Plan fiduciary net position as a percentage of the total pension liability | 57.01% | 43.96% | 43.1% | 59.2% | 62.8% | 64.1% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

| | <u>2019</u> | <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> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Contractually required contribution | \$ 947,014 | \$ 878,622 | \$ 773,210 | \$ 773,605 | \$ 720,105 | \$ 677,141 | \$ 663,594 | \$ 615,443 | \$ 553,811 | \$ 487,276 |
| Contributions in relation to the contractually required contribution | <u>(947,014)</u> | <u>(878,622)</u> | <u>(773,210)</u> | <u>(773,605)</u> | <u>(720,105)</u> | <u>(677,141)</u> | <u>(663,594)</u> | <u>(615,443)</u> | <u>(553,811)</u> | <u>(487,276)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | 4,950,412 | 4,650,917 | 4,205,482 | 4,361,368 | 4,260,421 | 4,235,615 | 4,398,657 | 4,342,089 | 4,173,305 | 3,929,954 |
| Contributions as a percentage of covered payroll | 19.13% | 18.89% | 18.39% | 17.74% | 16.90% | 15.99% | 15.09% | 14.17% | 13.27% | 12.40% |

See Notes to the Required Supplementary Information.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|--|---------------|---------------|---------------|
| District's proportion of the net OPEB liability | 0.0566237303% | 0.0538169697% | 0.0542211095% |
| District's proportionate share of the net OPEB liability (asset) | \$ 770,389 | \$ 699,405 | \$ 702,995 |
| District's covered payroll | \$ 4,794,633 | \$ 4,368,996 | \$ 4,276,696 |
| District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 16% | 16% | 16% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 17.03% | 17.53% | 20.07% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

| | <u>2019</u> | <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> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Contractually required contribution | \$ 50,494 | \$ 47,439 | \$ 42,896 | \$ 44,486 | \$ 43,456 | \$ 43,203 | \$ 44,866 | \$ 44,289 | \$ 42,568 | \$ 40,086 |
| Contributions in relation to the contractually required contribution | <u>(50,494)</u> | <u>(47,439)</u> | <u>(42,896)</u> | <u>(44,486)</u> | <u>(43,456)</u> | <u>(43,203)</u> | <u>(44,866)</u> | <u>(44,289)</u> | <u>(42,568)</u> | <u>(40,086)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's covered payroll | 4,950,412 | 4,650,917 | 4,205,482 | 4,361,368 | 4,260,421 | 4,235,615 | 4,398,657 | 4,342,089 | 4,173,305 | 3,929,954 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

See Notes to the Required Supplementary Information.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2019

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.78%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31st measurement period for the following years ended:

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

SUPPLEMENTARY INFORMATION

The combining financial schedules represent the second level of financial reporting for the District. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Pupil Activity Fund – Used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenues from pupils, gate receipts, and other fundraising activities.

Food Service Fund - Used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges.

**CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET**

June 30, 2019

| | <u>SPECIAL REVENUE FUNDS</u> | | <u>TOTAL NONMAJOR FUNDS</u> |
|---|--------------------------------|------------------------------|-------------------------------------|
| | <u>PUPIL ACTIVITY FUND</u> | <u>FOOD SERVICE FUND</u> | |
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 31,122 | \$ 45,770 | \$ 76,892 |
| Due from Other Funds | - | 823 | 823 |
| Inventory | - | 4,602 | 4,602 |
| TOTAL ASSETS | <u>\$ 31,122</u> | <u>\$ 51,195</u> | <u>\$ 82,317</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 1,293 | \$ (402) | \$ 891 |
| Accrued Salaries and Benefits | - | 7,711 | 7,711 |
| Due to Other Funds | 13 | 30,823 | 30,836 |
| TOTAL LIABILITIES | <u>1,306</u> | <u>38,132</u> | <u>39,438</u> |
| FUND BALANCE | | | |
| Nonspendable: | | | |
| Inventory | - | 4,602 | 4,602 |
| Committed Fund Balance | 29,816 | 8,461 | 38,277 |
| TOTAL FUND BALANCE | <u>29,816</u> | <u>13,063</u> | <u>42,879</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$ 31,122</u> | <u>\$ 51,195</u> | <u>\$ 82,317</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2019

| | <u>SPECIAL REVENUE FUNDS</u> | | <u>TOTAL NONMAJOR FUNDS</u> |
|--|--------------------------------|------------------------------|-------------------------------------|
| | <u>PUPIL ACTIVITY FUND</u> | <u>FOOD SERVICE FUND</u> | |
| REVENUES | | | |
| Federal Sources | \$ - | \$ 458,529 | \$ 458,529 |
| Local Sources | 46,057 | 23,015 | 69,072 |
| TOTAL REVENUES | <u>46,057</u> | <u>481,544</u> | <u>527,601</u> |
| EXPENDITURES | | | |
| Instructional Program | 34,952 | - | 34,952 |
| Food Services | - | 479,077 | 479,077 |
| TOTAL EXPENDITURES | <u>34,952</u> | <u>479,077</u> | <u>514,029</u> |
| Net Change in Fund Balance | 11,105 | 2,467 | 13,572 |
| Fund Balance, Beginning of Year | <u>18,711</u> | <u>10,596</u> | <u>29,307</u> |
| Fund Balance, End of Year | <u>\$ 29,816</u> | <u>\$ 13,063</u> | <u>\$ 42,879</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2019

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|---|-------------------------|---------------|------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Local Sources | | | | |
| Pupil Activities | \$ 49,112 | \$ 49,112 | \$ 46,057 | \$ (3,055) |
| TOTAL REVENUES | <u>49,112</u> | <u>49,112</u> | <u>46,057</u> | <u>(3,055)</u> |
| EXPENDITURES | | | | |
| Instructional Program | <u>66,112</u> | <u>66,112</u> | <u>34,952</u> | <u>31,160</u> |
| TOTAL EXPENDITURES | <u>66,112</u> | <u>66,112</u> | <u>34,952</u> | <u>31,160</u> |
| Excess (deficiency) of revenues over expenditures | (17,000) | (17,000) | 11,105 | 28,105 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer From Other Funds | <u>17,000</u> | <u>17,000</u> | <u>-</u> | <u>(17,000)</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>17,000</u> | <u>17,000</u> | <u>-</u> | <u>(17,000)</u> |
| Net Change in Fund Balance | - | - | 11,105 | 11,105 |
| Fund Balance, Beginning of Year | <u>-</u> | <u>-</u> | <u>18,711</u> | <u>18,711</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 29,816</u> | <u>\$ 29,816</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2019

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|---|-------------------------|------------------|------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Federal Sources | \$ 422,018 | \$ 422,695 | \$ 458,529 | \$ 35,834 |
| Local Sources | - | 15,565 | 23,015 | 7,450 |
| TOTAL REVENUES | <u>422,018</u> | <u>438,260</u> | <u>481,544</u> | <u>43,284</u> |
| EXPENDITURES | | | | |
| Supporting Services | | | | |
| Food Services | | | | |
| Salaries | 176,284 | 176,284 | 154,853 | 21,431 |
| Fringe Benefits | 79,806 | 79,806 | 72,185 | 7,621 |
| Purchased Services | 4,135 | 4,135 | 4,135 | - |
| Food and Commodities | 225,525 | 250,054 | 247,330 | 2,724 |
| Other Operating | 574 | 574 | 574 | - |
| TOTAL EXPENDITURES | <u>486,324</u> | <u>510,853</u> | <u>479,077</u> | <u>31,776</u> |
| Excess (deficiency) of revenues over expenditures | (64,306) | (72,593) | 2,467 | 75,060 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer From Other Funds | - | 72,593 | - | (72,593) |
| TOTAL OTHER FINANCING SOURCES (USES) | <u>-</u> | <u>72,593</u> | <u>-</u> | <u>(72,593)</u> |
| Net Change in Fund Balance | (64,306) | - | 2,467 | 11,508 |
| Fund Balance, Beginning of Year | <u>64,306</u> | <u>83,835</u> | <u>10,596</u> | <u>(73,239)</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ 83,835</u> | <u>\$ 13,063</u> | <u>\$ (70,772)</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
BOND REDEMPTION FUND
For the Year Ended June 30, 2019

| | <u>BUDGETED AMOUNTS</u> | | <u>ACTUAL</u> | <u>VARIANCE WITH</u> |
|--|-------------------------|----------------|-------------------|----------------------|
| | <u>ORIGINAL</u> | <u>FINAL</u> | | <u>FINAL BUDGET</u> |
| | | | | <u>POSITIVE</u> |
| | | | | <u>(NEGATIVE)</u> |
| REVENUES | | | | |
| Local Sources | \$ 345,513 | \$ 345,513 | \$ 375,770 | \$ 30,257 |
| Other | - | - | 4,154 | 4,154 |
| TOTAL REVENUES | <u>345,513</u> | <u>345,513</u> | <u>379,924</u> | <u>34,411</u> |
| EXPENDITURES | | | | |
| Debt Service | 345,513 | 345,513 | 345,936 | (423) |
| Reserves | 307,196 | 307,196 | - | 307,196 |
| TOTAL EXPENDITURES | <u>652,709</u> | <u>652,709</u> | <u>345,936</u> | <u>306,773</u> |
| Net Change in Fund Balance | (307,196) | (307,196) | 33,988 | 341,184 |
| Fund Balance, Beginning of Year | <u>307,196</u> | <u>307,196</u> | <u>345,990</u> | <u>38,794</u> |
| Fund Balance, End of Year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 379,978</u> | <u>\$ 379,978</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

SINGLE AUDIT SECTION

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

| <i>Federal Grantor/Program or Cluster Title</i> | <i>Federal CFDA Number</i> | <i>Pass-through Grantor and Number</i> | <i>Federal Expenditures(\$)</i> |
|--|------------------------------------|---|-------------------------------------|
| <i>Child Nutrition Cluster</i> | | | |
| United States Department of Agriculture School Breakfast Program | 10.553 | Colorado Department of Education,4553 | \$ 126,562 |
| Total School Breakfast Program | | | <u>126,562</u> |
| | | Colorado Department of Human Services,4555 | 22,980 |
| National School Lunch Program | 10.555 | Colorado Department of Education,4555 | 279,545 |
| Total National School Lunch Program | | | <u>302,525</u> |
| Summer Food Service Program for Children | 10.559 | Colorado Department of Education,4559 | 13,304 |
| <i>Total Child Nutrition Cluster</i> | | | <u>442,391</u> |
| <i>Forest Service Schools and Roads Cluster</i> | | | |
| United States Department of Agriculture Schools and Roads - Grants to States | 10.665 | Colorado Department of Treasury and Saguache County Treasurer,7665 | 174,526 |
| <i>Total Forest Service Schools and Roads Cluster</i> | | | <u>174,526</u> |
| <i>Total United States Department of Agriculture</i> | | | <u>616,917</u> |
| <i>Total All Clusters</i> | | | <u>616,917</u> |
| <i>Other Programs</i> | | | |
| Department of Education | | | |
| Title I Grants to Local Educational Agencies | 84.010 | Colorado Department of Education,4010 | 410,369 |
| Career and Technical Education -- Basic Grants to States | 84.048 | Colorado Community Colleges,4048 | 2,004 |
| English Language Acquisition State Grants | 84.365 | Colorado Department of Education,4365 | 16,895 |
| Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | 84.367 | Colorado Department of Education,4367 | 37,062 |
| Student Support and Academic Enrichment Grants | 84.424 | Colorado Department of Education,4424 | 29,154 |
| Special Education - State Personnel Development | 84.323 | Colorado Department of Education, 5323 | 7,216 |
| <i>Total Department of Education</i> | | | <u>502,700</u> |
| United States Department of Agriculture Fresh Fruit and Vegetable Program | 10.582 | Colorado Department of Education,4582 | 16,138 |
| <i>Total United States Department of Agriculture</i> | | | <u>16,138</u> |
| Department of Transportation | | | |
| Highway Planning and Construction | 20.205 | Colorado Department of Transportation,7205 | 53,943 |
| <i>Total United States Department of Transportation</i> | | | 53,943 |
| <i>Total Other Programs</i> | | | <u>572,781</u> |
| <i>Total Expenditures of Federal Awards</i> | | | <u>\$ 1,189,698</u> |

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2019

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Center Consolidated School District 26JT under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Center Consolidated School District 26JT, it is not intended to and does not present the financial position or changes in net position of Center Consolidated School District 26JT.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Center Consolidated School District 26JT did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2019. In addition, the District did not pass-through federal funds to subrecipients.

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Wall,
Smith,
Bateman Inc.

To the Board of Education
Center Consolidated School District 26JT
Center, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Center Consolidated School District 26JT (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as Finding 2019-001, that we consider to be a material weakness.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District’s Response to the Finding

The District’s response to the finding identified in our audit is described in the accompanying corrective action plan. The District’s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 26, 2020

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Board of Education
Center Consolidated School District 26JT
Center, Colorado

Report on Compliance for Each Major Federal Program

We have audited Center Consolidated School District 26JT's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Center Consolidated School District 26JT complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 26, 2020

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ___X___ yes ___ no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? ___ yes ___X___ none reported
- Noncompliance material to financial statements noted? ___ yes ___X___ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ___ yes ___X___ no
- Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? ___ yes ___X___ none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___ yes ___X___ no

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|--|
| 84.010 | Title I Grants to Local Educational Agencies |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) |
| 84.424 | Student Support and Academic Enrichment Grants |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? ___ yes ___X___ no

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Section II – Financial Statement Findings

Finding 2019-001: Internal Control Over Financial Reporting
(Repeat of Finding 2018-001)

Type of Finding: Internal Control (material weakness)

Condition/Cause: The District does not have a complete system of internal control to prevent and detect financial misstatements and ensure compliance with provisions of laws, regulations, contracts, and grant agreements.

Criteria: A system of internal control includes the design, documentation and monitoring of control activities over the application of accounting principles, antifraud programs, non-routine transactions, financial statement preparation, and the safeguarding of assets.

Effect: As a result of this condition, the following areas were affected:

1. The Payroll Clearing account reconciliation was not completed accurately and/or timely during fiscal year 2019.
2. Grant activity was not reconciled and monitored by the finance department to ensure accuracy and reconciliation to the general ledger accounting records and compliance with the terms of the grant awards and budgets. The District did not submit an annual financial report for one of the grants administered in the finance department.
3. Audit adjustments were proposed to properly state the financial statements, as of June 30, 2019, in accordance with generally accepted accounting principles.

Recommendation: The District should continue to strengthen its internal controls with adopted policies and procedures to regularly reconcile account balances and record necessary adjustments when performing monthly financial close and reporting at year end to ensure accurate financial statement reporting. In addition, all cash reconciliations should be prepared and reviewed by separate employees to ensure accuracy.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

**CENTER CONSOLIDATED SCHOOL DISTRICT 26JT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2019**

Section II – Financial Statement Findings

Finding 2018-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (significant deficiency) and material noncompliance

Condition: The District does not have a complete system of internal control to prevent and detect financial misstatements and ensure compliance with provisions of laws, regulations, contracts, and grant agreements.

Cause: The District experienced turnover in the Finance Director position and did not provide adequate training.

Status: Not implemented. See Finding 2019-001

Section III – Federal Award Findings and Questioned Costs

**Finding 2018-002: Title I Grants to Local Educational Agencies, CFDA No. 84.010
United States Department of Education**

Type of finding: Internal Control over Compliance (material weakness) and Compliance (material noncompliance)

Condition: Title I grant activity was not reconciled and monitored by the finance department to ensure accuracy and reconciliation to the general ledger accounting records and compliance with the terms of the grant award and budget. The District did not submit Title I grant reimbursement requests and the annual financial report for FY2018.

Status: Implemented.



CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

550 S.Sylvester Ave Center Colorado 81125 719.754.3442 Fax 719.754.3952
http://www.center.k12.co.us email: ccsd@center.k12.co.us

CORRECTIVE ACTION PLAN

Oversight Agency - U.S. Department of Education

Center Consolidated School District No. 26JT respectfully submits the following corrective action plan for the year ended June 30, 2019.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
3001 Adcock Circle, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended June 30, 2019

The findings from the June 30, 2019 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2019-001: Internal Control Over Financial Reporting (Repeat of Finding 2018-001)

Type of finding: Internal Control (material weakness)

Recommendation: The District should continue to strengthen its internal controls with adopted policies and procedures to regularly reconcile account balances and record necessary adjustments when performing monthly financial close and reporting at year end to ensure accurate financial statement reporting. In addition, all cash reconciliations should be prepared and reviewed by separate employees to ensure accuracy.

Action Taken: Define roles and responsibilities to strengthen office procedures – ensure the segregation of duties related to finances. Completion Date: 03-01-2020: Persons Responsible: Director of Finance, Superintendent of Schools

Quarterly checks on our financial status and accounting process – review of revenue, expenditures, fund balances, account and bank statement reviews. Completion: Ongoing throughout the year – beginning 03-01-2020 Persons Responsible: Director of Finance, Superintendent of Schools



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Timelines in place – critical dates for fiscal year identified and adhered to. Completion Date: Timeline in place 03-01-2020 and ongoing throughout year. Persons Responsible: Director of Finance and Superintendent of Schools

Training for Director of Finance and Business Office Staff shall continue at various workshops as scheduled by CASBO, CDE and the District’s Financial System software company Tyler Technologies as needed.

If the U.S. Department of Education has questions regarding this plan, please call the responsible parties listed below.

Sincerely yours,

Carrie Zimmerman
Superintendent of Schools
Center Consolidated School District No. 26JT

Coleen Salazar
Director of Finance
Center Consolidated School District No. 26JT

CENTER CONSOLIDATED SCHOOL DISTRICT 26JT

CDE COMPLIANCE SECTION



**Colorado Department of Education
Auditors Integrity Report**

District: 2810 - Center 26 JT

Fiscal Year 2018-19

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) + | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses - | = | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|---|--|--|---|---|
| Governmental | | | | | |
| 10 General Fund | 1,128,322 | 6,624,887 | 6,475,429 | | 1,277,779 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | | 0 |
| 19 Colorado Preschool Program Fund | 118,166 | 495,690 | 505,232 | | 108,624 |
| Sub- Total | 1,246,488 | 7,120,577 | 6,980,661 | | 1,386,404 |
| 11 Charter School Fund | 0 | 0 | 0 | | 0 |
| 20,26-29 Special Revenue Fund | 0 | 0 | 0 | | 0 |
| 06 Supplemental Cap Const, Tech, Main, Fund | 0 | 0 | 0 | | 0 |
| 21 Food Service Spec Revenue Fund | 10,596 | 481,545 | 479,078 | | 13,063 |
| 22 Govt Designated-Purpose Grants Fund | 3,646 | 1,724,578 | 1,704,614 | | 23,610 |
| 23 Pupil Activity Special Revenue Fund | 18,711 | 46,058 | 34,952 | | 29,816 |
| 24 Full Day Kindergarten Mill Levy Override | 0 | 0 | 0 | | 0 |
| 25 Transportation Fund | 0 | 0 | 0 | | 0 |
| 31 Bond Redemption Fund | 345,990 | 379,924 | 345,936 | | 379,977 |
| 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 |
| Totals | 1,625,430 | 9,752,682 | 9,545,242 | | 1,832,870 |
| Proprietary | | | | | |
| 50 Other Enterprise Funds | 0 | 0 | 0 | | 0 |
| 64 (63) Risk-Related Activity Fund | 0 | 0 | 0 | | 0 |
| 60,65-69 Other Internal Service Funds | 0 | 0 | 0 | | 0 |
| Totals | 0 | 0 | 0 | | 0 |
| Fiduciary | | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | | 0 |
| 73 Agency Fund | 0 | 0 | 0 | | 0 |
| 74 Pupil Activity Agency Fund | 122,659 | 107,761 | 116,213 | | 114,207 |
| 79 GASB 34:Permanent Fund | 0 | 0 | 0 | | 0 |
| 85 Foundations | 0 | 0 | 0 | | 0 |
| Totals | 122,659 | 107,761 | 116,213 | | 114,207 |

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.