East Grand School District No. 2

Annual Financial Report

June 30, 2019

East Grand School District No. 2
Annual Financial Report
June 30, 2019

TABLE OF CONTENTS

Independent Auditor's Report ..... A1 – A3

Management's Discussion and Analysis ..... B1 – B6

Basic Financial Statements:

District-Wide Financial Statements:

Statement of Net Position C1

Statement of Activities C2

Fund Financial Statements:

Balance Sheet – Governmental Funds C3

Reconciliation of Governmental Funds Balance Sheet to the Statement of Activities C4

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds C5

Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities C6

Statement of Fiduciary Assets and Liabilities – Fiduciary Funds C7

Notes to the Basic Financial Statements ..... D1 – D39

Required Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:

General Fund E1

Food Service Fund E2

Designated Purpose Grants Fund E3

Schedule of District's Proportionate Share of the Net Pension Liability E4

Schedule of District's Pension Contributions E5

Schedule of District's Proportionate Share of the Post-Employment Health Benefit (OPEB) Liability E6

Schedule of District's Post-Employment Health Benefit (OPEB) Contributions E7

Notes to the Required Supplementary Information E8-10

East Grand School District No. 2
Annual Financial Report
June 30, 2019

TABLE OF CONTENTS
(Continued)

Supplementary Information:

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:

Bond Redemption Fund F1

Capital Reserve Capital Projects Fund F2

Combining Balance Sheet – Non-major Governmental Funds F3

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Non-major Governmental Funds F4

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:

Pupil Activity Fund F5

Transportation Fund F6

Student Activity Agency Fund…… F7

Schedule of Revenues, Expenditures and Changes in Fund Balances - Schedule of Combined General Fund F8

Schedule of Capital Assets Used in the Operation of Governmental Funds F9

Colorado Department of Education Requirements Electronic Financial Data Integrity Check Figures F10

Reports and Schedules for Reporting Requirements of Uniform Guidance:

Single Audit Reports ..... G1 – G6

Schedule of Expenditures of Federal Financial Awards G7

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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
East Grand School District No. 2
Granby, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, (the "District"), as of and for the year ended June 30, 2019, and the related noted 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 include the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 of material misstatement.

An audit includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud of error. In making those risk assessments, the auditor considered internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. And audit also include evaluation of the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall financial statement presentation.

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

INDEPENDENT AUDITOR'S OPINION
To the Board of Education
East Grand School District No. 2

Opinions

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, 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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis in Section B, and the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Pension Contributions, the Schedule of the District's Proportionate Share of Other Post-Employment Benefits Liability, the Schedule of District Other Post-Employment Benefits Contributions and the Notes to the Required Supplemental Information in Section E, 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.

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as whole. The combining fund financial statements, individual budgetary schedules and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the finance statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as whole.

INDEPENDENT AUDITOR'S OPINION
To the Board of Education
East Grand School District No. 2

Other Matters (continued)

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section 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* ("Uniform Guidance") and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepting in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 4, 2019 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 4, 2019

East Grand School District No. 2

Management's Discussion and Analysis

East Grand School District No. 2
Management's Discussion and Analysis
As of and for the Fiscal Year Ended June 30, 2019

As management of the East Grand School District No. 2 (the "District"), 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

- The liabilities of the District exceeded its assets at year end by $24,819,945. This deficit net position is primarily the result of the District's share of PERA's net pension liability.

- The District's total net position increased by $3,688,047. This is primarily related to the current year change in the District's pension liability.

- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of $9,352,234, which increased $757,589 from the prior year. The overall increase is primarily due to receipt of the YMCA abated property tax and additional Forest Reserve funds offset by an increase in expenses in the general fund.

- At the end of the current fiscal year, the total fund balance for the General Fund was $6,052,662 or 41% of total General Fund expenditures and transfers of $14,702,007 . The District has continued to weather the economic challenges facing the state of Colorado and its ability to fund education. The District's General Fund includes the Insurance Reserve Fund, as required by the Colorado Department of Education.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

District-wide Financial Statements: The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by a private-sector business.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The district-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund, instead of the District as a whole. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The East Grand School District No. 2 maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, Food Service Fund, Designated Purpose Grants Fund, Bond Redemption Fund, and Capital Reserve Capital Projects Fund, which are considered to be major funds. Data from the other two governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these two non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The District adopts an annual appropriated budget for all of its funds. Budgetary comparison schedules have been provided to demonstrate compliance with state budget statutes and are included in Sections E and F of this report.

The basic major governmental fund financial statements can be found on pages C3 through C6.

Fiduciary Funds: Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the district-wide financial statements because the resources of these funds are not available to support the District’s own programs. The accounting used for Fiduciary Funds is much like that used for Proprietary Funds. The Fiduciary Fund used by the District accounts for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District’s Board of Education. The basic Fiduciary Fund financial statement can be found on page C7 of this report.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The Notes to the Financial Statements can be found in Section D of this report.

Other Information: In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes. Combining fund statements and schedules can be found on pages F3 and F4 of this report.

District-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the East Grand School District No. 2, liabilities exceed assets by $24,819,945 at year end.

East Grand School District No. 2 Summary of Net Position:

	Governmental Activities	
	FY 2019	FY 2018
Assets:		
Current and other assets	$ 11,096,676	$ 10,835,834
Capital assets	28,918,272	30,374,824
Total Assets	40,014,948	41,210,658
Deferred Outflows of resources	10,727,385	18,471,532
Liabilities:		
Other liabilities	1,795,018	1,722,117
Long-term liabilities	53,512,986	83,846,839
Total Liabilities	55,308,004	85,568,956
Deferred Inflows of resources	20,254,274	2,621,226
Net Position:		
Net Investment in capital assets	6,824,186	3,806,891
Restricted	3,673,042	2,928,774
Unrestricted	(35,317,173)	(35,243,657)
Total Net Position	$ (24,819,945)	$ (28,507,992)

Of the District's total net position, $6,824,186 reflects its investment in capital assets (e.g. land, buildings and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students and the community; consequently, these assets are not available for future spending. Although the East Grand School District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's long-term liabilities decreased due to a decrease in the District's share of PERA's net pension liability of $28,138,210. This resulted in a year end net pension liability for the District of $27,475,647. This change is partially related to the State of Colorado's contribution to PERA and to changes in assumptions on the liability utilized by PERA's actuaries, which included a change in the discount rate from 4.78% to 7.25%

District-wide Financial Analysis (continued):

East Grand School District No. 2 Changes in Net Assets:

	Governmental Activities	
	FY 2019	FY 2018
Revenues:		
Program revenues		
Charges for services	$ 390,244	$ 362,112
Operating grants and contributions	1,491,292	1,208,508
Capital grants and contributions	19,833	-
General revenues		
Property taxes	11,202,259	13,284,130
Specific ownership taxes	947,773	873,980
State revenue	3,464,369	2,514,603
Investment earnings	146,681	77,516
Other	1,772,158	1,189,385
Total revenues	19,434,609	19,510,234
Expenditures:		
Direct instruction	8,301,250	15,875,211
Indirect instruction	1,523,810	2,694,042
Transportation	663,769	1,004,866
Custodial maintenance	1,568,385	2,264,536
Support services	333,573	458,302
General administration	1,589,707	2,629,457
Community service	-	1,012
Student activities	504,431	468,098
Interest	826,275	856,715
Food services	435,362	582,752
Total Expenses	15,746,562	26,834,991
Change in net position	3,688,047	(7,324,757)
Net position - July 1	(28,507,992)	(21,183,235)
Net position - June 30	$ (24,819,945)	$ (28,507,992)

Governmental Activities: As indicated above, governmental activities changed the District's net position by $3,688,047. Key elements of this change are as follows:

- The change to the net pension liability which resulted in pension revenue of $2,871,248 allocated to the above expenses in relation to salary costs.

Financial Analysis of the District's Funds

As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

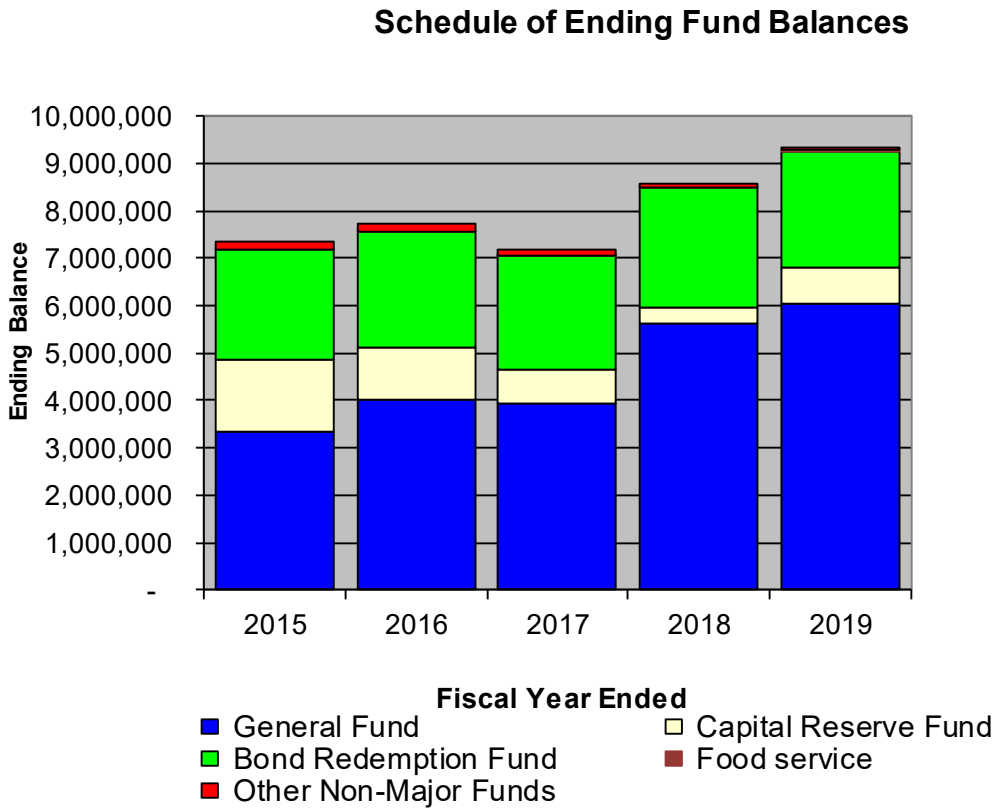
Governmental Funds: The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $9,352,234 which increased by $757,589 from the prior year ending fund balances. The majority of this increase is related to collection of prior year's YMCA abated property taxes and additional Forest Reserve funds received in 2019.

- Of the ending fund balance a portion is restricted to servicing required debt principal and interest payments, as well as the required 3% TABOR emergency reserve.

Fund Balance Trending:

The following graph provides a view of the District's ending fund balances for the last five fiscal years:



As shown above in the bar graph the District's General Fund ending fund balance increase as a result of increased available revenues offset by a smaller increase in expenditures.

Budget Variances in the General Fund: The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. Generally, the most important variances to discuss are those between the budgeted and actual revenues and expenditures in the General Fund

	Variance Positive (Negative)	Reason
REVENUES		
Taxes:		
Property taxes	59,330	Property tax abatement
Specific ownership taxes	66,517	Conservative budget
Interest income	51,681	Increased earnings rate
Other	42,575	Increased alt-school funding and other local receipts
EXPENDITURES		
Custodial and maintenance	82,499	Conservative budgeting
General administration	(68,617)	Master plan costs exceed expectations and English language curriculum

Budget Amendments

The District made budget appropriation amendments during the year. Comparative information can be found in the E and F sections of this report.

Capital Assets: The District's governmental capital assets, net of accumulated depreciation, totaled $28,814,073 as of June 30, 2019. The District capitalizes assets, including land, buildings and improvements, vehicles, equipment, and construction in progress, with an original cost greater than $5,000 and useful life of more than two years.

Additional information, as well as, a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement in section D of this report.

Long-Term Debt: As of the end of the current fiscal year, the District's long-term debt totaled $53,512,986.

Additional information, as well as, a detailed classification of the District's total long-term liabilities, can be found in the Notes to the Financial Statements in section D of this report.

Economic Factors and Outlook

While property valuation in Grand County remains relatively flat, the District is seeing increases in pupil count which may have an impact on future revenues.

Request for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to East Grand School District No. 2, Business Services, P.O. Box 125, Granby, Colorado 80446.

East Grand School District No. 2

Basic Financial Statements

East Grand School District No. 2
Statement of Net Position
June 30, 2019

ASSETS	Governmental Activities
Cash and cash equivalents - unrestricted	599,941
Investments - unrestricted	7,377,379
Investments - restricted	2,312,257
Accounts, taxes, and interest receivable	314,557
Due from other governments	508,831
Prepaid expenses	81,753
Inventory	6,157
Total current assets	11,200,875
Capital assets:	
Land	524,414
Buildings and improvements	57,250,465
Equipment	965,608
Vehicles	1,852,382
Less: Accumulated depreciation	(31,778,796)
Total capital assets	28,814,073
Total assets	40,014,948
DEFERRED OUTFLOW OF RESOURCES	
Deferred charges on refunding, net	2,170,978
Items related to pension	8,452,208
Items related to post-employment health benefits	104,199
Total deferred outflows of resources	10,727,385
LIABILITIES	
Current liabilities:	
Accounts, retainage, arbitrage & deposits payable	161,295
Accrued compensation	1,472,414
Accrued interest	75,592
Unearned revenue	85,717
Total current liabilities	1,795,018
Noncurrent liabilities:	
Compensated absences	504,233
Bonds and capital leases	
Due within one year	2,061,278
Due in more than one year	22,099,587
Other liabilities - due in more than one year	
Pension	27,475,647
Post-employment health benefits	1,372,241
Total noncurrent liabilities	53,512,986
Total liabilities	55,308,004
DEFERRED INFLOW OF RESOURCES	
Items related pension	20,242,875
Items related to post-employment health benefits	11,399
Total deferred inflows of resources	20,254,274
EQUITY	
Net Investment in Capital Assets	6,824,186
Restricted for:	
TABOR	433,000
Capital projects	748,028
Other purposes	63,108
Debt service	2,428,906
Unrestricted	(35,317,173)
Total net position	(24,819,945)

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

East Grand School District No. 2
Statement of Activities
For the Year Ended June 30, 2019

Functions/Programs:	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities
Primary Government					
Governmental Activities:					
Direct instruction	8,301,250	30,390	934,161	-	(7,336,699)
Indirect instruction	1,523,810	-	66,543	-	(1,457,267)
Transportation	663,769	9,500	118,126	19,833	(516,310)
Custodial and maintenance	1,568,385	-	-	-	(1,568,385)
Support services	333,573	-	174,664	-	(158,909)
General administration	1,589,707	-	-	-	(1,589,707)
Student activities	504,431	80,717	-	-	(423,714)
Food service	435,362	269,637	197,798	-	32,073
Interest	826,275	-	-	-	(826,275)
Total governmental activities	15,746,562	390,244	1,491,292	19,833	(13,845,193)
General revenues:					
Taxes					
Local property taxes levied for general purposes					8,258,297
Local property taxes levied for debt payments					2,643,423
Local property taxes levied for transportation					300,539
Specific ownership taxes					947,773
State equalization revenue					3,464,369
Grants and contributions not restricted to specific programs					1,772,158
Interest and investment earnings					146,681
Total general revenues and transfers					17,533,240
Change in net position					3,688,047
Net position, beginning					(28,507,992)
Net position, ending					(24,819,945)

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

East Grand School District No. 2
Balance Sheet
Governmental Funds
June 30, 2019

ASSETS AND OTHER DEBITS	General Fund	Food Service Fund	Designated Purpose Grant Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets:							
Cash and cash equivalents - unrestricted	119,853	39,086	123,762	0	241,474	75,766	599,941
Investments - unrestricted	6,977,430	-	-	0	396,829	3,120	7,377,379
Investments - restricted	-	-	-	2,312,257	-	-	2,312,257
Accounts, taxes, and interest receivable	405,007	23,777	17,581	120,480	111,579	15,749	694,173
Prepaid expenses	81,753	-	-	-	-	-	81,753
Inventory	-	6,157	-	-	-	-	6,157
Due from other funds	551	3,280	-	-	-	-	3,831
Total assets and other debits	7,584,594	72,300	141,343	2,432,737	749,882	94,635	11,075,491
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES							
Liabilities:							
Accounts and other current payables	151,931	222	6,931	-	1,854	358	161,296
Accrued compensation	1,380,001	24,337	55,774	-	-	12,301	1,472,413
Unearned revenue	-	7,079	78,638	-	-	-	85,717
Due to other funds	-	-	-	3,831	-	-	3,831
Total liabilities	1,531,932	31,638	141,343	3,831	1,854	12,659	1,723,257
Fund balances:							
Non-spendable	81,753	6,157	-	-	-	-	87,910
Spendable:							
Restricted	433,000		-	2,428,906	-	-	2,861,906
Committed	250,000	34,505	-	-	748,028	81,976	1,114,509
Assigned	80,328		-	-	-	-	80,328
Unassigned	5,207,581	-	-	-	-	-	5,207,581
Total fund balances	6,052,662	40,662	-	2,428,906	748,028	81,976	9,352,234
Total liabilities and fund balances	7,584,594	72,300	141,343	2,432,737	749,882	94,635	11,075,491

The notes to the financial statements are an integral part of this statement.

East Grand School District No. 2
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2019

Governmental Funds Total Fund Balance		9,352,234
Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.		129,215
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	60,592,869	
Accumulated depreciation	(31,778,796)	28,814,073
Deferred charges such as bond issuance costs, deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:		
Deferred refunding costs	2,170,978	
Premiums and discounts on bonded debt	(1,769,761)	401,217
Long-term liabilities, including bonds payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
Bond debt and interest coupons	(21,355,000)	
Accrued compensated absences	(504,233)	
Leases payable	(1,036,104)	
Accrued interest	(75,592)	(22,970,929)
Long-term liabilities, including net pension and post-employment health benefits obligations, are not due and payable in the current period and therefore are not reported in the funds. This is the amount of the District's net pension and post-employment health benefits liabilities, adjusted for changes in pension and post-employment health benefits related actuarial assumptions, proportion of collective pension and post-employment health benefits amounts, differences between actual and expected experience and investments earnings, and differences between actual and annualized contributions to the pension and post-employment health benefits plans, that are amortized over the average remaining service life of all active and inactive plan participants.		
Deferred outflows of resources - pension	8,452,208	
Deferred outflows of resources - post-employment health	104,199	
Net pension liability	(27,475,647)	
Post-employment health benefits liability	(1,372,241)	
Deferred inflows of resources - pension	(20,242,875)	
Deferred inflows of resources - post-employment health benefits	(11,399)	(40,545,755)
Governmental Activities Net Position		(24,819,945)

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

East Grand School District No. 2
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

	General Fund	Food Service Fund	Designated Purpose Grant Fund	Bond Redemption Fund	Capital Reserve Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes:							
Property taxes	8,672,105	-	-	2,769,055	-	300,539	11,741,699
Specific ownership taxes	924,517	-	-	-	-	23,256	947,773
Intergovernmental - State revenue	3,974,494	4,141	246,186	-	-	103,698	4,328,519
Intergovernmental - Federal revenue	1,071,326	193,658	232,102	-	-	-	1,497,086
Interest income	146,681	-	-	-	-	-	146,681
Other	351,237	269,637	135,118	5,715	417,925	95,145	1,274,777
Total revenues	15,140,360	467,436	613,406	2,774,770	417,925	522,638	19,936,535
EXPENDITURES							
Direct instruction	8,494,174	-	211,763	-	-	21,585	8,727,522
Indirect instruction	1,369,131	-	352,506	-	-	-	1,721,637
Transportation	169,874	-	-	-	-	438,190	608,064
Custodial and maintenance	1,723,305	-	-	-	-	-	1,723,305
Support services	323,107	-	49,137	-	-	-	372,244
General administration	1,750,632	-	-	-	-	751	1,751,383
Student activities	-	-	-	-	-	482,846	482,846
Food Service		479,943					479,943
Debt service:							
Principal	-	-	-	1,905,000	85,429	-	1,990,429
Interest and fiscal charges	-	-	-	945,200	48,915	-	994,115
Other	-	-	-	4,805	-	-	4,805
Capital outlay	-	-	-	-	320,148	2,505	322,653
Total expenditures	13,830,223	479,943	613,406	2,855,005	454,492	945,877	19,178,946
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,310,137	(12,507)	-	(80,235)	(36,567)	(423,239)	757,589
OTHER FINANCING SOURCES (USES)							
Transfers in (out)	(871,784)	20,000	-	-	436,000	415,784	-
Total other financing sources (uses)	(871,784)	20,000	-	-	436,000	415,784	-
NET CHANGE IN FUND BALANCES	438,353	7,493	-	(80,235)	399,433	(7,455)	757,589
FUND BALANCES, BEGINNING	5,614,309	33,169	-	2,509,141	348,595	89,431	8,594,645
FUND BALANCES, ENDING	6,052,662	40,662	-	2,428,906	748,028	81,976	9,352,234

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

East Grand School District No. 2
Reconciliation of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
June 30, 2019

Governmental Funds Change in Fund Balances	757,589
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 amount of capital outlays reported as expenditures in the governmental funds.	257,180
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	1,990,429
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	(521,227)
Accrued compensated absences 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. This is the change in accrued compensated absences during the year.	(60,045)
The disposal of assets can result in a gain or less equal to the difference between the sales proceeds and the book value of the asset. This is the gain or loss on the sale of District assets.	(4,147)
Amortization of deferred costs such as premium and discounts and deferred charges from refunding and changes in accrued interest have no impact on current available resources but do change government-wide net position.	167,815
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 amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(1,764,355)
Change in the District's net pension obligation 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. This is the change in the District's net pension obligation during the year, including differences between employer contributions to the pension plan and amortization of pension-related deferrals.	2,890,549
Changes in the District's net post-employment health benefits obligation 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. This is the change in District's net post-employment health benefits obligation during the year, including differences between District contributions to the plan and amortization of post-employment health benefits related deferrals.	(25,741)
Governmental Activities Change in Net Position	3,688,047

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

East Grand School District No. 2
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
For the Year Ended June 30, 2019

	Student Activity Fund
ASSETS	
Cash and cash equivalents	238,546
Accounts receivable	9,672
Total assets	248,218
LIABILITIES	
Due to student activities and other organizations	248,218

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

East Grand School District No. 2

Notes to the Basic Financial Statements

I. Summary of Significant Accounting Policies

The East Grand School District No. 2 (the "District") was formed in 1893 and is located in Colorado's central Rocky Mountains. More specifically, the District is located in the eastern portion of Grand County. The District provides services to approximately one thousand three hundred fifty-eight (1,358) students. The District's mission is *"As a result of our efforts, students will graduate as self-reliant and productive citizens, prepared to pursue the careers of choice through further education and training."* The District operates the following schools:

Elementary Schools	Middle School	High School
Fraser Valley Elementary	East Grand Middle School	Middle Park High School
Granby Elementary		

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District was formed under the laws of the State of Colorado and operates under an elected Board of Education. As required by GAAP, the financial statements of the reporting entity include those of the District. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the above criteria, the District has identified one discretely presented component unit.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

B. Government-wide and Fund Financial Statements

The District's basic financial statements include both district-wide (financial activities of the overall District and its component units, except for fiduciary activities) and fund financial statements (reporting the District's major funds). For the most part, the effect of interfund activity has been removed from these statements. Both the district-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no activities which meet the reporting requirements for business-type activities.

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

1. District-wide Financial Statements

In the district-wide Statement of Net Position, both the governmental and business-type activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The district-wide Statement of Activities reports both the gross and net cost of the District's functions. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs (by function or business-type activity) are normally covered by general revenue (property taxes, interest income, etc.).

The district-wide focus is on the sustainability of the District as an entity and the change in the District's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the District are reported in individual funds in the fund financial statements, including fiduciary funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following Fund Types and major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. The General Fund has consolidated the Insurance Reserve Fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. The District reports the Food Service Fund and Grant Fund as major special revenue funds. Grant proceeds are the committed revenues used to establish the funds.

I. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

2. Fund Financial Statements (continued)

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The District reports the Capital Reserve Capital Projects Fund as major capital projects fund.

Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds. The District reports the Bond Redemption Fund as a major debt service funds.

The District reports the following fiduciary fund:

The *Student Activity Agency Fund* accounts for assets held by the District as an agent for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

1. Long-term Economic Focus and Accrual Basis

The governmental activities in the government-wide financial statements, and the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

I. Summary of Significant Accounting Policies (continued)

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

2. Current Financial Focus and Modified Accrual Basis

The governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities are reported as other financing sources.

3. Financial Statement Presentation

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The District does not have any proprietary funds.

D. Financial Statement Accounts

1. Cash, Cash Equivalents, and Investments

Cash and cash equivalents are defined as demand deposits which can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less and insured by the Federal Deposit Insurance Corporation ("FDIC") and the Public Deposit Protection Act ("PDPA") for amount in excess of FDIC.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

1. Cash, Cash Equivalents, and Investments (continued)

The District permits investments in the following type of obligations which corresponds with state statues:

- Local government investment pools
- Obligations of the United States government, including but not limited to U.S. Treasurer bills, notes and bonds
- Repurchase agreements
- Time certificates of deposit or savings accounts
- Government entity investment pools

2. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

3. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by governmental units until the subsequent year. In accordance with generally accepted accounting principles, the assessed but uncollected property taxes have been recorded as a receivable on the fund financial statements.

4. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out ("FIFO") method.

5. Interfund Receivables and Payables

Balances at year-end between funds are reported as "due to / from other funds" in the fund financial statements.

6. Deferred Charges on Refunding

Refunding costs for bonds are deferred and amortized over the term of the refunded debt using the bonds outstanding method.

7. Capital Assets

Capital assets, which include construction-in-progress, land, buildings and improvements, vehicles, and equipment, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost. Donated capital assets are recorded at acquisition value.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Capital Assets (continued)

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed.

Buildings and improvements, vehicles, and equipment are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and improvements	5 - 35
Vehicles	6 - 7
Equipment	5

8. Compensated Absences

Earned but unused sick and personal leave benefits are accrued when incurred in the district-wide financial statements.

9. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

10. Pensions

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

I. Summary of Significant Accounting Policies (continued)

C. Financial Statement Accounts (continued)

11. Health Care Trust Fund – Defined Benefit Other Post-Employment Benefit Plan ("OPEB")

The District participates in the Health Care Trust Fund (the "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 the 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.

12. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The District has three items that qualify for reporting in this category. They are the deferred charges on refunding reported in the government-wide statement of net position, the collective pension and OPEB deferred outflows of resources. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized using the bonds outstanding amortization method. The collective deferred outflows of resources related to the District's net pension and OPEB obligations are related to pension and OPEB contributions made after the measurement date, and the net difference between projected and actual earnings recognized as a reduction of the net pension and OPEB liabilities in future periods.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for this type of reporting, pension and OPEB related deferred inflows. Collective deferred inflows of resources related to the District's net pension and OPEB obligations are reported on the statement of net position and are amortized over the average service lives of participants.

See Notes IV. F and IV. G. below for discussion on pension and OPEB related deferred outflows of resources and inflows of resources.

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies

1. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

2. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note IV. H.

3. Restricted and Unrestricted Resources

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

II. Reconciliation of District-wide and Fund Financial Statements

The governmental fund Balance Sheet includes reconciliation between *fund balance – total governmental funds and net position of governmental activities* as reported in the District-wide Statement of Net Position. Additionally, the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between *net change in fund balances – total governmental funds and change in net position of governmental activities* as reported in the District-wide Statement of Activities.

III. Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2019.

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.

2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.

3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.

4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriations were necessary. The budgetary comparison schedules reflect the original budget and the final budget after legally authorized revisions were made.

For the year ended June 30, 2019, expenditures exceeded appropriations as follows:

Food Services Fund	$	13,093

B. TABOR Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR required, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing net tax revenues gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment (continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved $433,000 of its June 30, 2019 year-end General Fund balance for emergencies as required under TABOR.

On November 8, 1994, the District's electorate approved to the following ballot measure:

> *"Shall the East Grand School District No. 2 taxes be increased $650,000 annually for [the] current budget year and each budget year thereafter, by authorizing the District to impose an additional property tax mill levy of not more than 5 mills for the District's General Fund for the current budget year and each budget year thereafter; and shall the District be authorized to collect and spend all revenues from said tax increase and any earnings from the investment of such revenues without limitation or condition and without limiting the collection or spending of any other revenues or funds by the District under Article X, Section 20 of the Colorado Constitution or any other law, such amounts to constitute voter-approved revenue and spending changes pursuant to said Article X, Section 20 of the Colorado Constitution?"*

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

IV. Detailed Notes on All Funds

A. Deposits and Investments

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation (the "FDIC") or by collateral held under Colorado's Public Deposit Protection Act (the "PDPA"). The FDIC insures the first $250,000 of the District's deposits at each financial institution. Deposit balances over $250,000 are collateralized as required by PDPA. As of year-end, the carrying amount of the District's cash and investments, including fiduciary funds, was $10,528,123.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

At year end, the District had the following cash and investments with the following maturities:

Type:	Standard and Poor's Credit Rating	Carrying Amount	Maturities: Less Than One Year	Maturities: Less Than Five Years
Deposits:				
Petty cash	Not Rated	$ 5,203	5,203	-
Checking accounts	Not Rated	833,284	833,284	-
Investments:				
Investment pool	AAAm	7,377,379	7,377,379	-
		$ 10,528,123	10,528,123	-

Investments Measured at Net Asset Value	Total
Colotrust	$ 7,377,379

The District's cash and investments are in the financial statements as follows:

Reconciliation to Statement of Net Position:	
Cash and cash equivalents - unrestricted	$ 599,941
Investments - unrestricted	7,377,379
Investments - restricted	2,312,257
Agency Fund cash and cash equivalents	238,546
Total	$ 10,528,123

Pools. The investment pool represents an investment in COLOTRUST which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

Interest Rate Risk. As a means of limiting its exposure to interest rate risk, the District coordinates its investment maturities to closely match cash flow needs and restricts the maximum investment term to less than five years from the purchase date.

Credit Risk. State law and District policy limit investments to those authorized by State statutes, which, among other investments, include U.S. agencies, commercial paper, local government investment pools, and certain money market funds. The District's general investment policy is to apply the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Custodial Credit Risk. For an investment, this is the risk that, in the event of failure of the counterparty, the government will not be able to recover the value of its investment or collateral securities that are in possession of an outside party. The District does not have an investment policy that limits the amount of securities that can be held by counterparties.

IV. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk. The District places no limit on the amount that it may invest in any one issuer. More than 5% of the District's investments are in the ColoTrust Investment Pool. These investments represented 70% of the District's total deposits and investments.

B. Receivables

Receivables as of year-end for the District's funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Food Service Fund	Bond Redemption Fund
Receivables:			
Taxes	$ 375,323	$ -	$ 120,480
Accounts	29,684	23,777	-
Gross receivables	405,007	23,777	120,480
Less: allowance for uncollectible	-	-	-
Net Receivables	$ 405,007	$ 23,777	$ 120,480

	Designated Purpose Grant Fund	Capital Reserve Fund	Other Governmental Funds
Receivables:			
Taxes	$ -	$ -	$ 13,028
Accounts	17,581	111,579	2,721
Gross receivables	17,581	111,579	15,749
Less: allowance for uncollectible	-	-	-
Net Receivables	$ 17,581	$ 111,579	$ 15,749

IV. Detailed Notes on All Funds (continued)

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 97,482	-	(97,482)	-
Land	524,414	-	-	524,414
Total capital assets, not being depreciated	621,896	-	(97,482)	524,414
Capital assets, being depreciated:				
Buildings and improvements	57,056,553	193,912	-	57,250,465
Vehicles	1,879,967	152,770	(180,355)	1,852,382
Equipment	1,184,745	7,980	(227,117)	965,608
Total capital assets being depreciated	60,121,265	354,662	(407,472)	60,068,455
Total capital assets - Cost	60,743,161	354,662	(504,954)	60,592,869
Less: accumulated depreciation for:				
Buildings and improvements	(27,859,729)	(1,547,171)	-	(29,406,900)
Vehicles	(1,689,715)	(67,350)	180,355	(1,576,710)
Equipment	(868,321)	(149,835)	222,970	(795,186)
Total accumulated depreciation	(30,417,765)	(1,764,356)	403,325	(31,778,796)
Governmental activities capital assets, net	$ 30,325,396	(1,409,694)	(101,629)	28,814,073

The District had the following capital outlay and depreciation expense for the following functions:

	Capital Outlay	Depreciation Expense
Governmental activities:		
Direct instruction	$ 104,410	$ 1,449,488
Indirect instruction	-	4,400
Transportation	152,770	147,690
Custodial and maintenance	-	17,120
Support services	-	6,179
General administration	-	133,279
Food service	-	6,200
Total governmental activities	$ 257,180	$ 1,764,356

IV. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2019, was as follows:

	Receivable Fund	Payable Fund
General Fund	$ 551	$ -
Food Services Fund	3,280	-
Debt Service Fund	-	3,831
	$ 3,831	$ 3,831

The outstanding balances between funds result mainly 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.

Transfers for fiscal year 2019 were as follows:

	Transfer In	Transfer (out)
General Fund	$ -	$ (871,784)
Capital Reserve Fund	436,000	-
Pupil Activity Fund	415,784	-
Food Service Fund	20,000	-
	$ 871,784	$ (871,784)

Transfers provide supplemental funds on an as needed basis.

E. Long-term Debt

1. General Obligation Bonds, Series 2007

In November 2007, the District's electorate authorized the issuance of general obligation debt in the amount of $18,250,000. Proceed are being used to add additional classrooms and repair or improve other District facilities. The bonds maturing on and after December 1, 2018 are subject to early redemption equal to the principal amount thereof, plus accrued interest to the redemption date. On September 4, 2014, the District issued the General Obligation Bonds, Series 2014 which refunded all bonds maturing after 2018 and are paid in full as of June 30, 2018.

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

2. General Obligation Refunding Bonds, Series 2012

On January 18, 2012, the District issued $6,455,000 of General Obligation Refunding Bonds, Series 2012. Proceeds from this bond issue were used to refund a portion of the District's outstanding General Obligation Refunding and Improvement Bonds, Series 2004B.

The bonds maturing on and before December 1, 2021 are not subject to redemption prior to their respective maturity dates. The bonds maturing on and after December 1, 2022 are subject to redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

The following schedule represents the remaining amounts to be paid under the 2012 issue:

Fiscal Year Ending:	Principal	Coupon	Interest	Total
2020	$ 840,000	4.00%	$ 206,600	$ 1,046,600
2021	875,000	4.00%	172,300	1,047,300
2022	915,000	4.00%	136,500	1,051,500
2023	945,000	4.00%	99,300	1,044,300
2024	985,000	4.00%	60,700	1,045,700
2025-2028	1,025,000	4.00%	20,500	1,045,500
Totals	$ 5,585,000		$ 695,900	$ 6,280,900

3. General Obligation Refunding Bonds, Series 2014

On September 4, 2014, the District issued $20,820,000 of General Obligation Refunding Bonds, Series 2014. Proceeds from this bond issue were used to refund a portion of the District's outstanding General Obligation Bonds, Series 2004, 2004B, and 2007. The bonds are issued in denominations of $5,000 and bear interest rates ranging from 2% to 5%. These bonds mature in varying amounts each year through 2027.

The bonds maturing on and after December 1, 2025, are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

3. General Obligation Refunding Bonds, Series 2014 (continued)

The following schedule represents the remaining amounts to be paid under the 2014 issue:

Fiscal Year Ending:	Principal	Coupon	Interest	Total
2020	$ 1,135,000	4.00%	$ 661,000	$ 1,796,000
2021	1,180,000	4.00%	614,700	1,794,700
2022	1,225,000	4.00%	560,475	1,785,475
2023	1,290,000	5.00%	497,600	1,787,600
2024	1,355,000	5.00%	431,475	1,786,475
2025-2028	9,585,000	4.00-5.00%	860,600	10,445,600
Totals	$ 15,770,000		$ 3,625,850	$ 19,395,850

4. Defeased Debt

At various dates in prior years, the District placed proceeds from refunding bond issues and District cash contributions in irrevocable refunding escrow accounts. These monies, which are invested in U.S. Treasury obligations, together with interest earned thereon, are considered sufficient for payment of all principal and interest on refunded bonds on each remaining payment date. The likelihood of the earnings and principal maturities of the U.S. Treasury obligations not being sufficient to pay the refunded bond issues appears remote. Accordingly, the escrow account and refunded bonds are not included in the District's financial statements. The District has not calculated the amount of defeased debt at June 30, 2019.

5. Debt Requirements

Colorado State Statutes require that all property taxes levied for the purpose of satisfying bonded indebtedness be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with UMB Corporate Trust Services in order to meet this requirement.

The District is compliant in ongoing disclosure requirements to the secondary bond market in accordance with the Securities and Exchange Commission's Rule 15c2-12.

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

6. Capital Lease Agreements

The District is obligated under certain lease agreements for a performance contract. These obligations are accounted for as capital leases. The leased assets and related obligations are accounted for in the Statement of Net Position. The following is a schedule of future minimum rental payments due under the terms of the District's capital leases:

Fiscal Year Ended	Principal	Interest	Total
2020	$ 86,278	$ 45,199	$ 131,477
2021	94,451	41,181	135,632
2022	103,196	36,786	139,982
2023	112,548	25,986	138,534
2024	122,543	26,755	149,298
2025-2028	517,088	46,043	563,131
Totals	$ 1,036,104	$ 221,950	$ 1,258,054

7. Schedule of Future Debt Service Payments

The District's future annual debt service requirements are as follows:

Fiscal Year Ending:	Principal	Interest	Total
2020	$ 2,061,278	$ 912,799	$ 2,974,077
2021	2,149,451	828,181	2,977,632
2022	2,243,196	733,761	2,976,957
2023	2,347,548	622,886	2,970,434
2024	2,462,543	518,930	2,981,473
2025-2028	11,127,088	927,143	12,054,231
Totals	$ 22,391,104	$ 4,543,700	$ 26,934,804

8. Compensated Absences

The District has a policy for the accumulation of sick and personal leave payouts. This policy is subject to certain limits, which are established by the Board, and are based on the employee's length of service with the District.

The estimated liability for compensated absences for the Food Services Fund employees is recorded on that fund's financial statements; the estimated liability for all other employees is recorded in governmental activities in the Statement of Net Position. The General Fund generally liquidates the compensated absences liability associated with governmental activities.

IV. Detailed Notes on All Funds (continued)

E. Long-term Debt (continued)

9. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

	Balance July 1, 2018	Additions	(Reductions)	Balance Balance June 30, 2019	Due in one Year
Governmental Activities:					
General obligation bonds	$ 23,260,000	-	(1,905,000)	21,355,000	1,975,000
Premium on general obligation bonds	2,136,972	-	(367,211)	1,769,761	367,212
Capital leases	1,121,533	-	(85,429)	1,036,104	86,278
Net Pension Liability	55,613,857	-	(28,138,210)	27,475,647	-
Post-employment health benefits	1,270,289	101,952	-	1,372,241	-
Compensated absences	444,188	60,045	-	504,233	-
Total	$ 83,846,839	161,997	(30,495,850)	53,512,986	2,428,490

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

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.

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code. Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 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 and all benefit recipients of the DPS benefit structure will 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.

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Contribution provisions as of June 30, 2019: 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 2018	January 1, 2019 through June 30, 2019
Employer Contribution Rate	10.15%	10.15%
Amount of the 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 presented in C.R.S. 24-51-411	5.50%	5.50%
Total Employer Contribution Rate to the SCHDTF	19.13%	19.13%

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. § 24-51-413, 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 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.

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 $1,735,771 for the year ended June 30, 2019.

Pension Liabilities. 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's contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Pension Liabilities continued. At June 30, 2019, the District reported a liability of $27,475,647 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:

The District's proportionate share of the net Pension liability	$	27,475,647
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District		3,305,000
Total	$	30,780,647

At December 31,2018, the District proportion was 0.15517%, as compared to its proportion of 0.17199% measured as of December 31, 2017.

Pension Expense. For the year ended June 30, 2019, the District recognized pension expense of $2,871,248 and revenue of $19,301 or support from the State as a nonemployer contributing entity.

Deferred Outflows of Resources and Deferred Inflows of Resources. 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 expenses and actual experience	$ 932,005	$ -
Changes of assumptions or other inputs	5,128,447	17,086,897
Net difference between projected and actual earnings on pension plan investments	1,497,594	-
Changes in proportionate share of contributions	1,667	3,155,978
Difference between actual and reported contributions recognized	1,395	-
Contributions subsequent to measurement date	891,100	-
	$ 8,452,208	$ 20,242,875

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Contributions subsequent to the measurement date of December 31, 2018, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. 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,	Amortization
2020	$ (2,334,823)
2021	(6,720,360)
2022	(4,445,797)
2023	819,213
	$ (12,681,767)

Actuarial assumptions. The total pension 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%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	4.78%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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; and DPS Benefit Structure (automatic)	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

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

As of the most recent adoption of the current 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:

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 Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 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 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.

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

- 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.

- 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 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 the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 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%)
Collective net pension liability	$ 22,511,490,000	17,707,054,000	13,675,322,000
Proportionate share of net pension liability	$ 34,930,584	$ 27,475,647	$ 21,219,697

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

IV. Detailed Notes on All Funds (continued)

F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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 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.
- 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.

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

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

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

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were $92,550 for the year ended June 30, 2019.

Liabilities. At June 30, 2019, the District reported a liability for Other Post-Employment Benefits (“OPEB”) of the Health Care Trust Fund (“HCTF”) of $1,372,241 for its proportionate share of net OPEB. The net OPEB liability 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 District contributions to the HCTF. for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District proportion was 0.1009%, as compared to its proportion of 0.0977% measured as of December 31, 2017.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the District recognized other post-employment benefit expense of $25,741. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expenses and actual experience	$ 4,980	$ 2,089
Changes of assumptions or other inputs	9,626	-
Net difference between projected and actual earnings on OPEB plan investments	7,891	-
Changes in proportionate share of contributions	34,189	9,310
Contributions subsequent to measurement date	47,513	-
	$ 104,199	$ 11,399

Contributions subsequent to the measurement date of December 31, 2018, which are reported as deferred outflows of resources related to other post-employment benefits, will be recognized as a reduction of the net other post-employment benefits liability in the year ended June 30, 2020. 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,	Amortization
2020	$ 7,823
2021	7,824
2022	7,825
2023	13,304
2024	8,181
Thereafter	330
	$ 45,287

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA Benefit Structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.25% for 2018, gradually rising to 5.00% in 2025
DPS Benefit Structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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 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. 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.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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, 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.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Year Ending	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 and after	5.00%	5.00%

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

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

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

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

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

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.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

The following health care costs 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.
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 Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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	Current Trend Rates	1% Increase
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%
Collective Net OPEB Liability	$ 1,322,972,000	$ 1,360,542,000	$ 1,403,754,000
Proportionate Share of Net OPEB Liability	$ 1,334,348	$ 1,372,241	$ 1,415,824

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.

IV. Detailed Notes on All Funds (continued)

G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the 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%
Collective net pension liability	$ 1,522,328,000	$ 1,360,542,000	$ 1,222,230,000
Proportionate share of net pension liability	$ 1,535,418	$ 1,372,241	$ 1,232,740

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

H. Fund Balances

The District classifies governmental fund balances as follows:

Non-spendable fund balance includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable Fund Balances:

Restricted fund balance includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed fund balance includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Education.

Assigned fund balance includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.

Unassigned fund balance includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

IV. Detailed Notes on All Funds (continued)

H. Fund Balances (continued)

The District's policy is for restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District governmental funds had the following equity designations at June 30, 2019:

	Balance	Reason
Non-spendable:		
General Fund	$ 81,753	Prepaid expenditures
Food Service Fund	6,157	Inventory
Restricted:		
General Fund	433,000	TABOR
Debt Service Fund	2,428,906	Debt service
Committed:		
General Fund	250,000	Technology projects
Food Service Fund	34,505	Food services
Pupil Activity Fund	63,107	Student activities
Transportation	18,869	Transportation services
Capital Reserve	748,028	Capital projects
Assigned:		
General Fund	46,866	Insurance costs
General Fund	33,462	Technology equipment
	$ 4,144,653	

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to Board.

V. Other Information

A. Defined Contribution Pension Plan

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

Funding Policy. Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2019.

V. Other Information (continued)

B. Contingencies

1. General Legal Matters

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District feels none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2019.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance on ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2019

3. State Programs

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. Management does not feel that any potential adjustments would be material and that they would affect the fairness of presentation of the financial statements at June 30, 2019.

C. Jointly Governed Organization - BOCES

The District, together with other school districts, participates in the Northwest Colorado Board of Cooperative Educational Services (the “BOCES”). The purpose of the BOCES is to pool resources of the individual districts and to provide services common to each on a basis that is more economical than if the same services were provided individually. Administrative costs are borne equally by the districts. Services by BOCES are charged to each district based upon individual needs and the student population.

The Board of the BOCES consists of one member of the Board of Education of each participating district. Each district has equal voting rights in the decisions of the BOCES.

The BOCES has issued its own audited financial statements for the year ended June 30, 2019, the latest available data.

V. Other Information (continued)

C. Jointly Governed Organization – BOCES (continued)

The BOCES has issued its own audited financial statements for the year ended June 30, 2019, the latest available data.

The following summary information is presented:

Assets and Deferred Outflows	$ 2,629,683
Liabilities and Deferred inflows	(11,715,105)
Net Position (Deficit)	$ (9,085,422)
Expenses	$ (2,467,620)
Program Revenues	3,470,058
General Revenues	262
Change in Net Position	1,002,700
Net Position-Beginning	(10,088,122)
Net Position-Ending	$ (9,085,422)

For the years ended June 30, 2019 and 2018, the District made operating contributions of $65,081 and $59,512, respectively.

D. Mill Levy Override Approval

As previously discussed, in November 1994, the electorate of the District passed a ballot question, authorizing *to increase taxes $650,000 annually for [the] current budget year and each budget year thereafter by authorizing the District to impose an additional property tax mill levy of not more than 5 mills for the District's General Fund for the current budget year and each budget year thereafter*….

In November 2001, the electorate approved *to increase taxes $659,411 annually and by such additional amounts raised annually thereafter by an ad valorem property tax mill levy imposed at a rate of up to 1.746 mils, but not exceeding such amount of additional tax revenues as permitted pursuant to section 22-54-107.5 of the Colorado revised statutes, or any successor law thereto, to provide a supplemental cost of living adjustment to the District.*

E. Colorado Department of Education Financing

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district. The District did not utilize this financing in 2018 or 2019.

V. Other Information (continued)

I. Risk Management

Risk of Loss. The District is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The District has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance coverage.

Pupil Counts. Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

East Grand School District No. 2

Required Supplementary Information

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Fund Balances - Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
REVENUES	**Original**	**Final**	**Amounts**	**(Negative)**	**Amounts**
Taxes:					
Property taxes	8,679,819	8,612,775	8,672,105	59,330	9,711,069
Specific ownership taxes	704,615	858,000	924,517	66,517	853,483
Intergovernmental - State revenue	3,208,284	3,757,404	3,751,359	(6,045)	2,797,229
Intergovernmental - Federal revenue	390,000	1,071,000	1,071,326	326	952,236
Interest income	45,000	95,000	146,681	51,681	77,516
Other	272,662	308,662	351,237	42,575	206,490
Total revenues	13,300,380	14,702,841	14,917,225	214,384	14,598,023
EXPENDITURES					
Direct instruction	8,623,734	8,367,459	8,343,565	23,894	7,537,607
Indirect instruction	1,330,793	1,324,017	1,345,252	(21,235)	1,205,107
Transportation	135,771	135,771	162,385	(26,614)	85,864
Custodial and maintenance	1,767,626	1,792,236	1,709,737	82,499	1,640,729
Support services	314,892	319,892	319,683	209	259,729
General administration	1,632,849	1,657,849	1,726,466	(68,617)	1,482,605
Total expenditures	13,805,665	13,597,224	13,607,088	(9,864)	12,211,641
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(505,285)	1,105,617	1,310,137	204,520	2,386,382
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	(580,650)	(941,994)	(871,784)	70,210	(715,081)
Total other financing sources (uses)	(580,650)	(941,994)	(871,784)	70,210	(715,081)
NET CHANGE IN FUND BALANCES - BUDGET BASIS	(1,085,935)	163,623	438,353	274,730	1,671,301
FUNDS BALANCES, BEGINNING - BUDGET BASIS	4,654,860	4,654,860	5,614,309	959,449	3,943,008
FUND BALANCES, ENDING - BUDGET BASIS	3,568,925	4,818,483	6,052,662	1,234,179	5,614,309
RECONCILIATION TO GAAP BASIS:					
Adjustments:					
Pension direct distribution - Special funding			223,135		-
Pension expense - Special funding			(223,135)		-
FUND BALANCES, ENDING - GAAP BASIS			6,052,662		5,614,309

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Net Assets - Budget and Actual (GAAP Basis)
Food Service Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Food and ala carte sales	186,500	251,500	269,637	18,137	235,494
Federal revenue:					
Federal government meal reimbursement	167,500	160,000	173,459	13,459	161,783
USDA commodity contribution	20,000	20,000	20,199	199	21,131
State reimbursement	6,200	6,200	4,141	(2,059)	5,122
Total revenues	380,200	437,700	467,436	29,736	423,530
EXPENDITURES					
Salaries and employee benefits	219,745	240,395	245,178	(4,783)	207,662
Supplies	11,600	11,600	8,753	2,847	9,996
Food costs:					
Purchased food	159,500	180,000	198,427	(18,427)	164,301
Donated commodities	20,855	20,855	20,199	656	21,131
Other	11,500	14,000	7,386	6,614	13,876
Total expenses	423,200	466,850	479,943	(13,093)	416,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(43,000)	(29,150)	(12,507)	16,643	6,564
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	20,000	20,000	20,000	-	15,000
Total other financing sources (uses)	20,000	20,000	20,000	-	15,000
CHANGE IN NET POSITION	(23,000)	(9,150)	7,493	16,643	21,564
FUND BALANCE, BEGINNING	33,012	33,012	33,169	157	11,605
FUND BALANCE, ENDING	10,012	23,862	40,662	16,800	33,169

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Designated Purpose Grants Fund - Special Revenue
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Intergovernmental revenue:					
Federal revenue	222,983	227,775	232,102	4,327	247,198
State revenue	208,686	261,382	246,186	(15,196)	230,454
Local revenue	36,457	133,931	135,118	1,187	144,500
Total revenues	468,126	623,088	613,406	(9,682)	622,152
EXPENDITURES					
Direct instruction	164,799	196,802	211,763	(14,961)	183,848
Indirect instruction	303,327	372,112	352,506	19,606	397,540
Support services	-	54,174	49,137	5,037	39,752
Community service	-	-	-	-	1,012
Total expenditures	468,126	623,088	613,406	9,682	622,152
NET CHANGE IN FUND BALANCES	-	-	-	-	-
FUND BALANCES, BEGINNING	-	-	-	-	-
FUND BALANCES, ENDING	-	-	-	-	-

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

East Grand School District No. 2
Schedule of District's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

Measurement date - December 31,	2018	2017	2016	2015	2014	2013
District's portion of the net pension liability	0.1552%	0.1720%	0.1738%	0.1738%	0.1768%	0.1831%
District's proportionate share of the net pension liability	27,475,647	55,613,857	51,759,537	26,574,063	23,967,042	23,353,686
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	3,305,000	-	-	-	-	-
Total proportionate share of the net pension liability associated with the District	30,780,647	55,613,857	51,759,537	26,574,063	23,967,042	23,353,686
District's covered payroll	8,530,403	7,935,365	7,802,346	7,572,051	7,408,101	7,381,132
District's proportionate share of the net pension liability as a percentage of its covered payroll	322%	701%	630%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.10%	43.10%	59.20%	62.84%	64.07%

***** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to RSI are an integral part of these statements.

East Grand School District No. 2
Schedule of District's Pension Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

Fiscal year-ended June 30,	2019	2018	2017	2016	2015	2014
Contractually required contribution	1,708,617	1,543,643	1,442,399	1,356,920	1,276,492	1,143,574
Contributions in relation to the contractually required contribution	(1,708,617)	(1,543,643)	(1,442,399)	(1,356,920)	(1,276,492)	(1,143,574)
Contribution deficiency (excess)	-	-	-	-	-	-
District's covered payroll	8,931,602	8,171,541	7,831,633	7,646,095	7,555,234	6,726,906
Contributions as a percentage of covered payroll	19.13%	18.89%	18.42%	17.75%	16.90%	17.00%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to RSI are an integral part of these statements.

East Grand School District No. 2
Schedule of District's Proportionate Share of the
Net Post-employment Health Benefit (OPEB) Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

Measurement date - December 31,	2018	2017	2016
District's portion of the net OPEB liability	0.1009%	0.0977%	0.0988%
District's proportionate share of the net OPEB liability	1,372,241	1,281,156	1,281,156
District's covered payroll	8,530,403	7,935,365	7,802,346
District's proportionate share of the net OPEB liability 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%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

The accompanying notes to RSI are an integral part of these statements.

East Grand School District No. 2
Schedule of District Post-employment Health Benefits (OPEB) Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

As of the fiscal year-ended June 30,	2019	2018	2017
Contractually required contribution	91,102	83,350	78,316
Contributions in relation to the contractually required contribution	(91,102)	(83,350)	(78,316)
Contribution deficiency (excess)	-	-	-
District's covered payroll	8,931,602	8,171,541	7,831,633
Contributions as a percentage of covered payroll	1.02%	1.02%	1.00%

***** The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

The accompanying notes to RSI are an integral part of these statements.

East Grand School District No. 2
Notes to the Required Supplementary Information
June 30, 2019

I. Schedule of District's Proportionate Share of the Net Pension Liability

A. Changes to assumptions or other inputs

1. Changes Since the December 31, 2017 Actuarial Valuation are as Follows:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

2. Changes Since the December 31, 2016 Actuarial Valuation are as Follows:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

3. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Pubic School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

I. Schedule of District's Proportionate Share of the Net Pension Liability (continued)

A. Changes to assumptions or other inputs (continued)

1. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

B. Changes of benefit terms.

No changes during the years presented above.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

II. Notes to the Schedule of District Pension Contributions

A. Changes to assumptions or other inputs

No changes during the years presented above.

B. Changes of benefit terms.

No changes during the years presented above.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented above.

III. Schedule of the District's Proportionate Share of the Net Post-Employment Health Benefit (OPEB) Liability

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

C. Changes of size or composition of population covered by terms

No changes during the years presented.

IV. Notes to the Schedule of District Post-Employment Health Benefit (OPEB) Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

East Grand School District No. 2

Supplementary Information

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Bond Redemption Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Property taxes	2,882,659	2,753,270	2,769,055	15,785	2,923,120
Other revenue	2,000	2,000	5,715	3,715	8,294
Total revenues	2,884,659	2,755,270	2,774,770	19,500	2,931,414
EXPENDITURES					
Debt service:					
Principal	1,905,000	1,905,000	1,905,000	-	1,830,000
Interest	945,200	945,200	945,200	-	1,019,831
Fiscal charges	4,500	5,500	4,805	695	3,877
Total expenditures	2,854,700	2,855,700	2,855,005	695	2,853,708
NET CHANGE IN FUND BALANCES	29,959	(100,430)	(80,235)	20,195	77,706
FUND BALANCES, BEGINNING	2,463,263	2,463,263	2,509,141	45,878	2,431,435
FUND BALANCES, ENDING	2,493,222	2,362,833	2,428,906	66,073	2,509,141

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Capital Reserve Fund - Capital Projects
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Federal revenue	6,900	-	-	-	-
Other local revenue	-	309,705	417,925	108,220	49,536
Total revenues	6,900	309,705	417,925	108,220	49,536
EXPENDITURES					
Facilities improvements and repairs	42,528	356,575	320,148	36,427	465,892
Lease payments	134,344	134,344	134,344	-	252,608
Total expenditures	176,872	490,919	454,492	36,427	718,500
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(169,972)	(181,214)	(36,567)	144,647	(668,964)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	170,039	490,919	436,000	(54,919)	329,724
Total other financing sources (uses)	170,039	490,919	436,000	(54,919)	329,724
NET CHANGE IN FUND BALANCES	67	309,705	399,433	89,728	(339,240)
FUND BALANCES, BEGINNING	305,144	305,144	348,595	43,451	687,835
FUND BALANCES, ENDING	305,211	614,849	748,028	133,179	348,595

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

East Grand School District No. 2
Combining Balance Sheet
Non-major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue		
	Pupil Activity Fund	Transportation Fund	Total Non-major Governmental Funds
ASSETS			
Cash and cash equivalents-Unrestricted	75,766	-	75,766
Investments-Unrestricted	-	3,120	3,120
Accounts, taxes, and interest receivable	-	15,749	15,749
Total assets	75,766	18,869	94,635
LIABILITIES			
Accounts payable	358	-	358
Accrued compensation	12,301	-	12,301
Total liabilities	12,659	-	12,659
FUND BALANCES			
Spendable:			
Committed	63,107	18,869	81,976
Total fund balances	63,107	18,869	81,976
Total liabilities and fund balances	75,766	18,869	94,635

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

East Grand School District No. 2
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended June 30, 2019

	Special Revenue		
	Pupil Activity Fund	Transportation Fund	Total Non-major Governmental Funds
REVENUES			
Taxes:			
Property taxes	-	300,539	300,539
Specific ownership taxes	-	23,256	23,256
Intergovernmental revenue:			
State revenue	-	103,698	103,698
Other revenue	80,717	14,428	95,145
Total revenues	80,717	441,921	522,638
EXPENDITURES			
Direct instruction	21,585	-	21,585
Transportation	-	438,190	438,190
General administration	-	751	751
Student activities	482,846	-	482,846
Capital outlay	-	2,505	2,505
Total expenditures	504,431	441,446	945,877
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(423,714)	475	(423,239)
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	415,784	-	415,784
Total other financing sources (uses)	415,784	-	415,784
NET CHANGE IN FUND BALANCES	(7,930)	475	(7,455)
FUND BALANCES, BEGINNING	71,037	18,394	89,431
FUND BALANCES, ENDING	63,107	18,869	81,976

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Pupil Activity Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Other revenue	77,637	77,637	80,717	3,080	77,927
Total revenues	77,637	77,637	80,717	3,080	77,927
EXPENDITURES					
Direct instruction	15,620	15,620	21,585	(5,965)	22,838
Student activities	455,486	489,951	482,846	7,105	445,260
Total expenditures	471,106	505,571	504,431	1,140	468,098
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(393,469)	(427,934)	(423,714)	4,220	(390,171)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	390,611	416,074	415,784	(290)	370,357
Total other financing sources (uses)	390,611	416,074	415,784	(290)	370,357
NET CHANGE IN FUND BALANCES	(2,858)	(11,860)	(7,930)	3,930	(19,814)
FUND BALANCES, BEGINNING	56,788	56,788	71,037	14,249	90,851
FUND BALANCES, ENDING	53,930	44,928	63,107	18,179	71,037

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
Transportation Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Taxes:					
Property taxes	293,418	298,238	300,539	2,301	302,956
Specific ownership taxes	20,000	20,000	23,256	3,256	20,497
Intergovernmental revenue:					
State revenue	100,846	100,846	103,698	2,852	101,086
Other revenue	13,500	13,500	14,428	928	11,006
Total revenues	427,764	432,584	441,921	9,337	435,545
EXPENDITURES					
Transportation	448,768	458,236	438,190	20,046	444,371
General administration	800	800	751	49	758
Capital outlay	3,660	3,660	2,505	1,155	1,905
Total expenditures	453,228	462,696	441,446	21,250	447,034
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(25,464)	(30,112)	475	30,587	(11,489)
OTHER FINANCING SOURCES					
Operating transfers in	-	15,000	-	(15,000)	-
Total other financing sources	-	15,000	-	(15,000)	-
NET CHANGE IN FUND BALANCES	(25,464)	(15,112)	475	15,587	(11,489)
FUND BALANCES, BEGINNING	29,047	29,047	18,394	(10,653)	29,883
FUND BALANCES (DEFICIT), ENDING	3,583	13,935	18,869	4,934	18,394

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fiduciary Assets and Liabilities - Budget and Actual (GAAP Basis)
Student Activity Agency Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for 2018)

	2019				2018
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
ADDITIONS					
Programs	312,000	312,000	319,001	7,001	327,638
Total additions	312,000	312,000	319,001	7,001	327,638
DEDUCTIONS					
Programs	312,000	312,000	296,392	15,608	294,582
Total deductions	312,000	312,000	296,392	15,608	294,582
CHANGE IN FIDUCIARY ASSETS AND LIABILITIES	-	-	22,609	22,609	33,056
DUE TO STUDENT ACTIVITIES, BEGINNING	37,726	37,726	225,609	187,883	192,553
DUE TO STUDENT ACTIVITIES, ENDING	37,726	37,726	248,218	210,492	225,609

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

East Grand School District No. 2
Schedule of Revenues, Expenditures and Changes in Fund Balances
Schedule of Combined General Fund
For the Year Ended June 30, 2019

	District General Fund	Insurance Reserve Fund	Total
REVENUES			
Property taxes	8,672,105	-	8,672,105
Specific ownership taxes	924,517	-	924,517
Intergovernmental - State revenue	3,974,494	-	3,974,494
Intergovernmental - Federal revenue	1,078,293	-	1,078,293
Interest income	146,681	-	146,681
Other	339,788	4,482	344,270
Total revenues	15,135,878	4,482	15,140,360
EXPENDITURES			
Direct instruction	8,494,174	-	8,494,174
Indirect instruction	1,369,131	-	1,369,131
Transportation	148,988	20,886	169,874
Custodial and maintenance	1,685,817	37,488	1,723,305
Support services	176,899	146,208	323,107
General administration	1,750,632	-	1,750,632
Total expenditures	13,625,641	204,582	13,830,223
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,510,237	(200,100)	1,310,137
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(1,076,784)	205,000	(871,784)
Total other financing sources (uses)	(1,076,784)	205,000	(871,784)
NET CHANGE IN FUND BALANCES	433,453	4,900	438,353
FUNDS BALANCES, BEGINNING	5,560,213	54,096	5,614,309
FUND BALANCES, ENDING	5,993,666	58,996	6,052,662

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

East Grand School District No. 2
Schedule of Capital Assets Used in the Operation of Governmental Funds
Comparative Schedule
June 30, 2019 and 2018

	2019	2018
Governmental funds capital assets:		
Land	524,414	524,414
Buildings and improvements	57,250,465	57,056,553
Equipment	965,608	1,184,745
Vehicles	1,852,382	1,879,967
Construction in progress	-	97,482
Total governmental funds capital assets	60,592,869	60,743,161

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

Colorado Department of Education

Auditors Integrity Report

District: 1350 - East Grand 2
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	5,560,213	14,059,093	13,625,642	5,993,664
18 Risk Mgmt Sub-Fund of General Fund	54,096	209,482	204,582	58,996
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	**5,614,309**	**14,268,575**	**13,830,224**	**6,052,660**
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	33,169	487,436	479,942	40,662
22 Govt Designated-Purpose Grants Fund	0	613,406	613,406	0
23 Pupil Activity Special Revenue Fund	71,038	496,501	504,431	63,108
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	18,394	441,921	441,447	18,868
31 Bond Redemption Fund	2,509,140	2,774,770	2,855,005	2,428,906
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	348,595	853,925	454,492	748,028
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	**8,594,645**	**19,936,534**	**19,178,947**	**9,352,232**
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	225,609	319,001	296,392	248,218
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	**225,609**	**319,001**	**296,392**	**248,218**

FINAL

East Grand School District No. 2

Reports and Schedules for Reporting Requirements
of Uniform Guidance

EAST GRAND SCHOOL DISTRICT

EXCELLENCE IN EDUCATION

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Certified Public Accountants and Consultants

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

Independent Auditor's Report

To the Board of Education
East Grand School District No. 2
Granby, Colorado

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2 (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 December 4, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit on 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District'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 that 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of 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*.

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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 4, 2019

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Education
East Grand School District No. 2
Granby, Colorado

Report on Compliance for Each Major Program

We have audited the East Grand School District No. 2'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 auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's 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 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 on the District's compliance with those requirements.

Opinion on Each Major Federal Program

In our opinion, the District 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.

To the Board of Education
East Grand School District No. 2

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, we considered the District's internal control over compliance with types of requirements that could have a direct and material effect on each major federal program to determine our 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 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 or on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 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 charges with governance.

Our consideration of the 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 in 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 Uniform Guidance and the Guide. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 4, 2019

East Grand School District No. 2, Colorado
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2019

Part I: Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Noncompliance material to financial statements noted	None noted

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted
Major program – Schools & Roads – Grants to Counties	CFDA #10.665
Dollar threshold used to identify Type A from Type B programs	$750,000
Identified as low-risk auditee	Yes

Part II: Findings Related to Financial Statements

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

Part III: Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor-assigned reference number	Not applicable

Note: There were no findings for the fiscal year ended June 30, 2018.

East Grand School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

Program Title	Federal CFDA Number	Grant Project Code	Expenditures	
United States Department of Education				
Rural Education Achievement Program	84.358	4358	$ 34,491	
Passed through Colorado Department of Education:				
Title I Grant to Local Educational Agencies	84.010	4010	140,122	
Title II Part A Supporting Effective Instruction	84.367	4367	28,329	
Title IV-A Student Support and Academic Enrichment	84.424	4424	10,380	
English Language Acquisition	84.365	7365	712	
Total United States Department of Education			214,034	
United States Department of Agriculture:				
Passed through Colorado Department of Education:				
School Breakfast Program	10.553	4553	49,623	***A***
National School Lunch Program	10.555	4555	123,835	***A***
Passed through Colorado Department of Human Services:				
Food Distribution Commodities	10.555	4555	20,199	***A***
Passed through Grand County:				
School and Roads - Grants to States	10.665	7665	1,071,326	***B***
Total United States Department of Agriculture			1,264,983	
Total Federal Expenditures			$ 1,479,017	

Additional Information for Clusters:	
A - Child Nutrition Cluster	$ 193,657
B - Forest Service Schools and Roads Cluster	1,071,326

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 includes the federal grant activity of East Grand School District, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *Title 2, US Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements.

Note 2. Determining the Value of Non-Cash Awards Expended:
Food Commodities are valued at the assessed value provided by the federal agency at the time of receipt.

Note 3. Sub recipients:
East Grand School District did not provide any federal awards received to sub recipients.

Note 4. Indirect Facilities and Administration costs:
The District does not opted to use the 10% de minimis cost rate allowed in 200.414, *Indirect (F&A) Costs*, of *Uniform Guidance*.