

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

Financial Statements  
For The Year Ended June 30, 2019

ELBERT COUNTY SCHOOL DISTRICT C-2

Kiowa, Colorado

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### INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of and for the year ended June 30, 2019, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

#### **Opinions**

In our opinion, based on our audit, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Elbert County School District C-2, as of June 30, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, pension information and other post-employment benefit information on pages a-i and 28-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. For the management discussion & analysis we have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Winfrey, County & Hays, PC*

Winfrey, County & Hays, PC  
Certified Public Accountants

November 14, 2019

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019

This discussion and analysis provides an overview of the Elbert County School District C-2 financial performance for the fiscal year ending June 30, 2019. The focus of the information is on the primary government general fund.

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

**Financial Highlights**

- For the current year ended June 30, 2019, the net position of the District is \$(2,624,196), an increase of \$578,588. Please note that the net position also includes PERA's unfunded liabilities and the post-employment health care trust fund liabilities over which the District has no control of.
- As of the close of the 2018-19 fiscal year, the District's governmental funds reported combined ending fund balances of \$2,272,936. This represents an increase of \$53,476 from the previous year.
- The District had adequate funds available for all appropriations.

**Overview of Financial Statements**

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

**1. Government-Wide Financial Statements**

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

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

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

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

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)

2. Fund Financial Statements

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

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

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

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

The District's total net position was negative \$2,624,196 at the close of business on June 30, 2019. Table 1 represents a detailed view of FY 18-19. Chart 1 shows a high level overview of net asset changes over time.

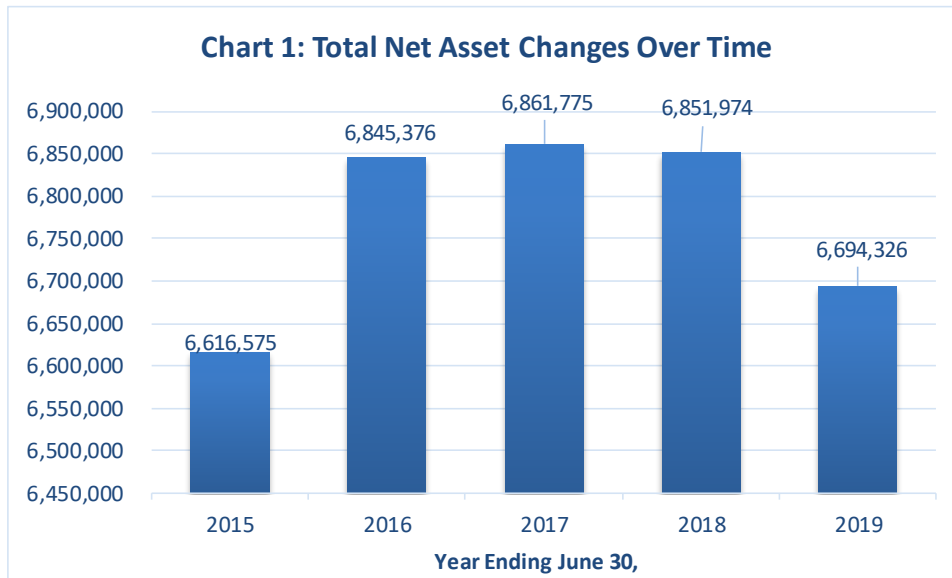
Table 1  
Fiscal Year Ended June 30, 2019  
Net Position

	Government Activities	
	<u>6/30/2019</u>	<u>6/30/2018</u>
Current and other assets	2,612,008	2,608,636
Capital assets	<u>4,082,317</u>	<u>4,243,338</u>
Total assets	6,694,326	6,851,974
Deferred Outflows	1,616,827	3,023,188
Current liabilities	339,073	389,177
Long term liabilities	<u>6,727,144</u>	<u>11,925,427</u>
Total liabilities	7,066,217	12,314,603
Deferred Inflows	3,869,132	822,230
Net Position		
Invested in capital assets	2,832,317	2,993,338
Restricted	531,183	450,321
Unrestricted	<u>(5,987,697)</u>	<u>(6,705,330)</u>
Total Net Position	<u>(2,624,196)</u>	<u>(3,261,672)</u>

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)

Comparison of Net Position over Time

As noted earlier, net position serves as a useful indicator of the District's financial position over time. In the case of the Kiowa School District, liabilities exceeded assets by \$2,624,196.



Of the District's \$6,694,326 in total assets, \$2,832,317 reflects investments in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment). The District uses capital assets to provide services to students; consequently, these assets are not available for future spending. The unrestricted net position of \$(5,987,697) may be used to meet the District's ongoing financial obligations. Depreciation in capital assets and a QZAB loan contribute to the decrease in net position for the 2018-19 year.

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

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)

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

Table 2  
Fiscal Year Ended June 30, 2019  
Change in Net Position

REVENUES	Government Activities	
	<u>6/30/2019</u>	<u>6/30/2018</u>
Program Revenues		
Charges for service	75,568	89,042
Operating grants	424,277	347,463
Capital grants	27,512	0
Property taxes	747,013	743,945
Specific ownership taxes	140,794	128,503
State Equalization	2,191,720	2,126,898
Other	52,672	41,066
Gain (Loss) on assets	<u>72,961</u>	<u>(11,170)</u>
Total Revenues	3,732,517	3,465,746
 EXPENSES		
Instruction	1,599,502	2,794,404
Pupil services	73,087	120,336
Instructional services	128,891	119,527
General administration	183,801	305,055
School administration	169,331	559,637
Business	71,658	165,338
Operations & maintenance	399,774	518,974
Pupil transportation	126,124	164,750
Central services	138,461	108,073
Extracurricular activities	127,401	54,766
Interest & fiscal charges	3,447	3,473
Food Services	<u>132,452</u>	<u>189,353</u>
Total Expenses	<u>3,153,928</u>	<u>5,103,685</u>
Increase (decrease) in net position	<u>578,588</u>	<u>(1,637,939)</u>

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)

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

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

Table 3  
Fiscal Year Ended June 30, 2019  
Government Activities

Functions/Programs	<u>Year Ended June 30, 2019</u>		<u>Year Ended June 30, 2018</u>	
	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>	<u>Total Cost of Programs</u>	<u>Net Cost of Services</u>
Instruction	1,599,502	1,264,308	2,794,404	2,520,955
Pupil services	73,087	73,087	120,336	120,336
Instructional services	128,891	128,891	119,527	119,527
General administration	183,801	183,801	305,055	305,055
School administration	169,331	169,331	559,637	559,637
Business	71,658	71,658	165,338	165,338
Operations & maintenance	399,774	372,262	518,974	518,974
Pupil transportation	126,124	83,842	164,750	125,139
Central services	138,461	138,461	108,073	108,073
Extracurricular activities	127,401	100,236	54,766	19,785
Food Service	132,452	37,247	189,353	100,889
Interest & fiscal charges	<u>3,447</u>	<u>3,447</u>	<u>3,473</u>	<u>3,473</u>
Total Expenses	<u>3,153,928</u>	2,626,572	<u>5,103,685</u>	4,667,181
Less State Equalization		<u>2,191,720</u>		<u>2,126,898</u>
Total needs from local taxes and other revenue		<u>434,852</u>		<u>2,540,283</u>

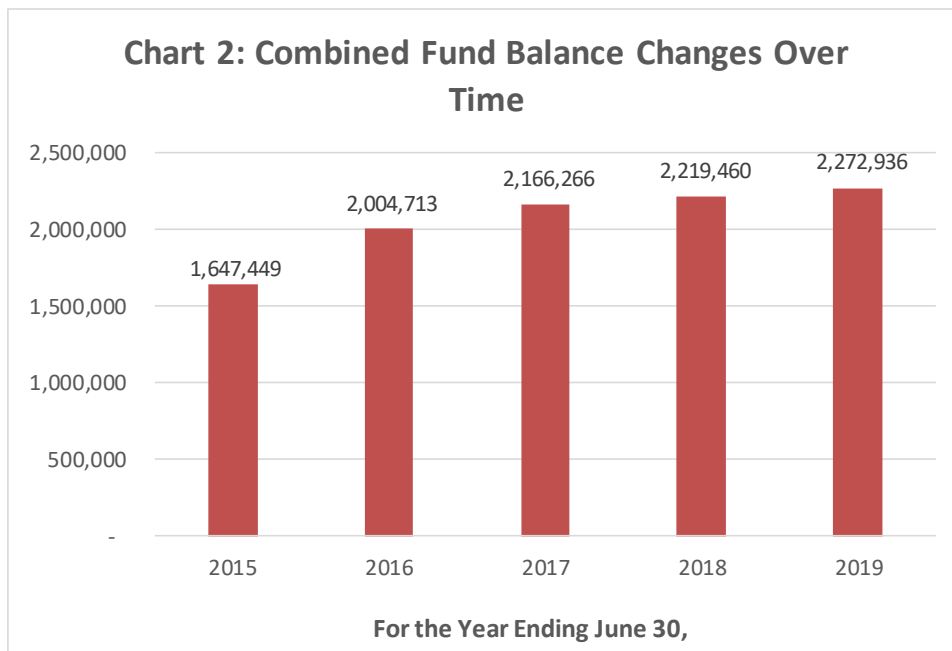
Elbert County School District C-2  
 Management Discussion and Analysis  
 For Fiscal Year Ended June 30, 2019  
 (continued)

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

The District Funds

On June 30, 2019, the District governmental funds reported a combined fund balance of \$2,272,936 which is an increase of \$53,476.

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



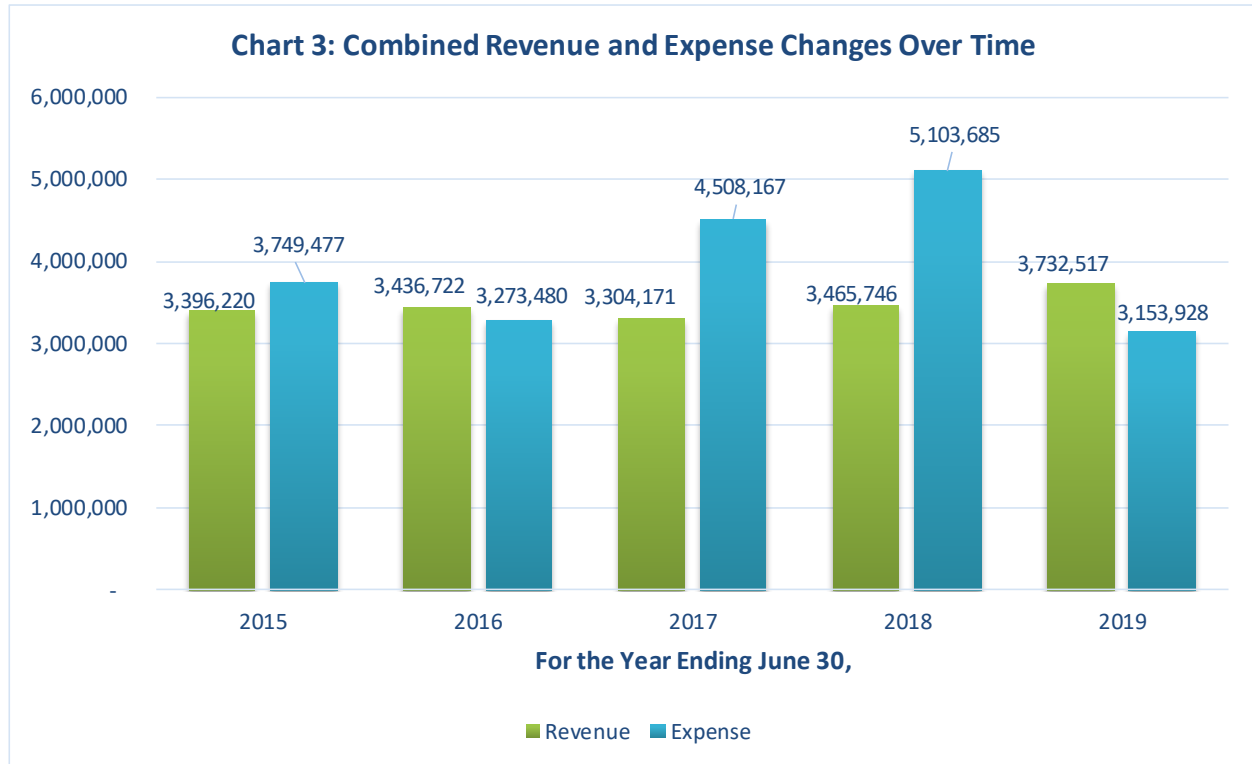
Financial Analysis of the District's Funds

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

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

Elbert County School District C-2  
 Management Discussion and Analysis  
 For Fiscal Year Ended June 30, 2019  
 (continued)

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

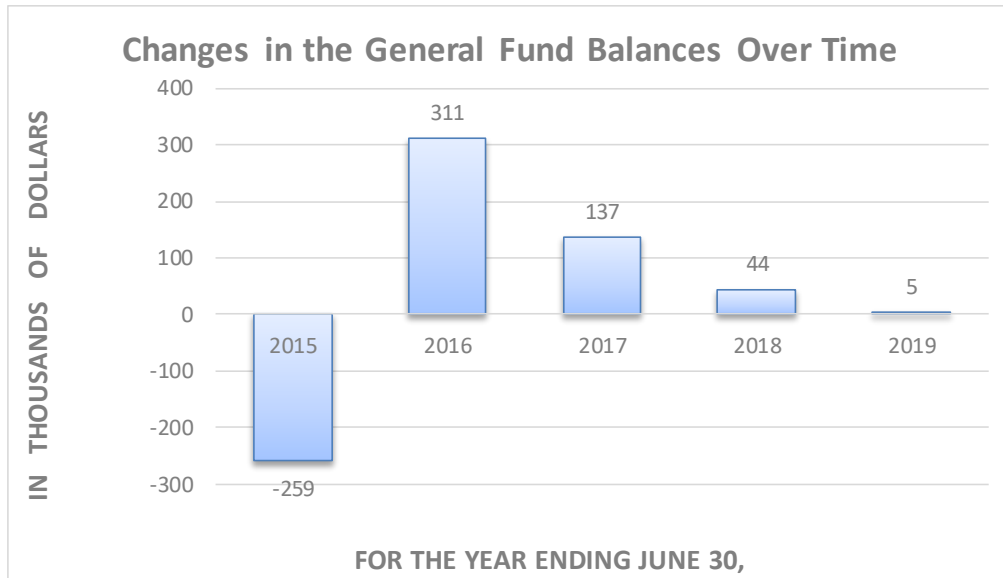


General Fund Budget

The Board of Education approved a regular budget in FY 20 to adequately appropriate expected expenditures based on careful review of anticipated revenues. Using historical spending patterns as a guide, the budget was crafted with a perceived flat to positive cash flow. The Board anticipates that cuts previously endured by State funding levels will not be fully replaced. Further, the Board of Education, with independent auditor approval, can allow the General Fund to go down to a balance of \$825,000, but only if necessary.

The 2014-15 has more of the funds received then previous year were spent on improvements (see previous page for actual QZAB numbers). While it appears as though we overspent revenues by about \$259,000, we actually overspent by about \$16,000 once the QZAB factor is taken into account. As is shown below, the change in the General Fund Balance is positive.

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)



Capital Assets and Debt Administration

Capital Assets

On June 30, 2019, the District realized a decrease of \$161,020 in capital assets. The decrease is a result depreciation expense exceeding purchases. The District’s capital assets are currently valued at \$4,082,318 (see page 12 of the audit) compared to last year when the capital assets were \$4,243,338.

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Site & Improvements	1,023,387	1,023,387
Building & Improvements	6,031,433	6,031,433
Equipment	579,883	544,936
Transportation	286,945	286,945
Total Capital Assets	<u>7,921,648</u>	<u>7,886,701</u>
Accumulated Depreciation	<u>(3,839,330)</u>	<u>(3,643,363)</u>
Net Capital Assets	<u><u>4,082,318</u></u>	<u><u>4,243,338</u></u>

The major capital acquisitions were a digital score table for \$9,960 and video conferencing equipment for \$24,987.

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

More complete information is furnished on page 12 and 13.

Elbert County School District C-2  
Management Discussion and Analysis  
For Fiscal Year Ended June 30, 2019  
(continued)

Economic Factors and Next Year's Budget and Rates

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

- The continuing shortage of federal funds to support educational programs including the governor, buying down the negative factor, special education mandated in federal law and the general uncertainty of federal funding for public schools in the present federal administration
- Generally declining enrollment
- The pervasiveness of the State's negative factor (now called Budget Stabilization by some) for funding schools. The negative factor reduces available district funds by approximately \$250,000 each year.

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

**History of Staffing Level Changes**

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

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

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

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

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

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

For the 2019-20 year Kiowa Schools eliminated two High School instructional positions. The district added an Early Childhood program including a toddler room, a fulltime PreK room and after school care. The addition of this program increased staff by 4.5 FTE and will show an increase in tuition along with enrollment.

Contacting the District for Financial Management Questions

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



## BASIC FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Net Position  
 June 30, 2019

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets	
Cash and cash equivalents	2,565,895
Accounts/grants receivable	4,580
Accrued Property Tax Receivable	33,809
Inventory	<u>7,724</u>
Total Current Assets	2,612,008
Capital assets, net of accumulated depreciation	<u>4,082,317</u>
Total Assets	6,694,326
DEFERRED OUTFLOWS	1,616,827
<b>LIABILITIES</b>	
Current Liabilities	
Accounts payable	11,571
Accrued sick leave payable	35,809
Accrued salaries payable	290,262
Unearned revenue	<u>1,430</u>
Total Current Liabilities	339,073
Noncurrent Liabilities	
Due in more than one year	1,250,000
Net Health Care Trust Fund Liability	260,538
Net Pension Liability	<u>5,216,607</u>
Total Noncurrent liabilities	<u>6,727,144</u>
Total Liabilities	7,066,217
DEFERRED INFLOWS	3,869,132
<b>NET POSITION</b>	
Invested in capital assets	2,832,317
Restricted for TABOR Reserve	106,709
Restricted for Debt Service	424,474
Unrestricted	<u>(5,987,697)</u>
Total Net Position	<u>(2,624,196)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Activities  
 For the Year Ended June 30, 2019

		Program Revenues		
<u>Expenses</u>	<u>Charges for Service</u>	<u>Operating Grants &amp; Contributions</u>	<u>Capital Grants &amp; Contributions</u>	
Governmental Activities				
Instructional	1,599,502	12,633	322,561	
Support Services				
Pupil services	73,087			
Instructional services	128,891			
General administration	183,801			
School administration	169,331			
Business	71,658			
Operations & maintenance	399,774			27,512
Pupil transportation	126,124		42,281	
Support services	138,461			
Extracurricular Activities	127,401	27,165		
Food Services	132,452	35,770	59,435	
Interest & fiscal charges	<u>3,447</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Governmental Activities	<u>3,153,928</u>	<u>75,568</u>	<u>424,277</u>	<u>27,512</u>

General revenues:

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

State Equalization

Miscellaneous

Investment earnings

Other

Total General Revenues

Change in Net Position

Net Position - Beginning

Change in Accounting-Note 2C

Net Position - Ending

Net (Expense) Revenue and  
Changes in Net Position

Governmental  
Activities

(1,264,308)

(73,087)

(128,891)

(183,801)

(169,331)

(71,658)

(372,262)

(83,842)

(138,461)

(100,236)

(37,247)

(3,447)

(2,626,572)

747,013

140,794

2,191,720

12,560

40,112

72,961

3,205,160

578,588

(3,261,672)

58,887

(2,624,196)

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Balance Sheet  
 Governmental Funds  
 June 30, 2019

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	2,333,431	232,464	2,565,895
Accounts/Grants receivable	0	4,580	4,580
Accrued Property Tax Receivable	33,809	0	33,809
Inventory	<u>0</u>	<u>7,724</u>	<u>7,724</u>
Total Assets	<u>2,367,240</u>	<u>244,768</u>	<u>2,612,008</u>
 <b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Accounts payable	11,571	0	11,571
Accrued sick leave payable	29,997	5,813	35,809
Accrued salaries payable	280,163	10,100	290,262
Due To Other Funds	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	321,730	15,912	337,642
 Unearned Revenue			
	0	1,430	1,430
 Fund Balances			
Restricted for TABOR Reserve	106,709	0	106,709
Restricted for Debt Services	424,474	0	424,474
Committed for Capital Projects	0	136,264	136,264
Nonspendable	0	7,724	7,724
Assigned	0	83,438	83,438
Unassigned	<u>1,514,327</u>	<u>0</u>	<u>1,514,327</u>
Total Fund Balances	<u>2,045,510</u>	<u>227,426</u>	<u>2,272,936</u>
 Total Liabilities and Fund Balances			
	<u>2,367,240</u>	<u>244,768</u>	<u>2,612,008</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Balance Sheet  
Governmental Funds  
For the Year Ended June 30, 2019

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

Total Governmental Fund Balances	2,272,936
Amounts reported for governmental activities in the statement of net position are different because of the following:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	4,082,317
Deferred outflows of resources are not financial resources and thus are not reported as assets in governmental funds	1,616,827
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(6,727,144)
Deferred inflows of resources are not financial resources and thus are not reported as assets in governmental funds	<u>(3,869,132)</u>
Net Position of Governmental Activities	<u>(2,624,196)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2019

	<u>General</u>	<u>Nonmajor Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Local Sources			
Property Taxes	747,013	0	747,013
Specific Ownership Taxes	140,794	0	140,794
Charges for Service	0	35,770	35,770
Investment Interest	38,066	29,558	67,624
Other	24,088	100,126	124,214
State Sources			
Equalization	2,191,720	0	2,191,720
Transportation	42,281	0	42,281
Other	221,184	3,265	224,449
Federal Sources	<u>98,818</u>	<u>56,169</u>	<u>154,987</u>
Total Revenues	3,503,964	224,888	3,728,852
<b>EXPENDITURES</b>			
Current			
Instruction	1,909,684	0	1,909,684
Supporting Services			
Students	91,643	0	91,643
Instructional staff services	194,421	0	194,421
General administration	197,406	0	197,406
School administration	244,611	0	244,611
Business	91,848	0	91,848
Operations & maintenance	395,476	0	395,476
Pupil Transportation	114,684	0	114,684
Support services	125,387	0	125,387
Other	0	127,401	127,401
Food Service	0	153,217	153,217
Debt Service	3,447	0	3,447
Capital Outlay	<u>21,016</u>	<u>64,022</u>	<u>85,038</u>
Total Expenditures	<u>3,389,625</u>	<u>344,639</u>	<u>3,734,263</u>
Revenues over (under) Expenditures	114,339	(119,751)	(5,411)
Other Financing Sources (Uses)			
Operating transfers in (out)	<u>(120,000)</u>	<u>120,000</u>	<u>0</u>
Revenues and Other Sources over (under) Expenditures and Other Uses	(5,661)	249	(5,411)
Fund Balance - Beginning	2,051,171	168,289	2,219,460
Change in Accounting-Note 2C	<u>0</u>	<u>58,887</u>	<u>58,887</u>
Fund Balance - Ending	<u>2,045,510</u>	<u>227,426</u>	<u>2,272,936</u>

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2019  
 (continued)

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

Net change in fund balances - total governmental funds		(5,411)
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	34,947	
Depreciation expense	<u>(195,967)</u>	(161,020)

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

Pension income	747,152	
Noncash revenue from state for PERA	3,665	
Other post-employment benefit expenses	<u>(5,797)</u>	<u>745,020</u>

Change in net position of government activities		<u>578,589</u>
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## Notes to Financial Statements

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2019

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

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

A. Reporting Entity

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

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

B. Basis of Presentation

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

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

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

The District reports the following major governmental fund:

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2019  
(continued)

C. Measurement Focus and Basis of Accounting

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

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

D. Budgets and Budgetary Accounting

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

Budget Calendar -

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

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

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

E. Encumbrances

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2019  
(continued)

F. Assets, Liabilities and Fund Balances/Net Position

1. Deposits

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

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

2. Receivables and Payables

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

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

3. Inventories

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

A physical inventory was taken as of June 30, 2019 for the Food Services Special Revenue Fund. The inventory consisted of government donated commodities which were valued at estimated fair market value, and purchased commodities and supplies were both valued at cost using the first-in, first-out (FIFO) method.

4. Capital Assets

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

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

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

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

The District does not have any infrastructure assets.

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2019  
(continued)

5. Compensated Absences

Full time employees are allowed 8 sick days per year, accumulative to 40 days. Part time employees sick days will be prorated. 12 month employees are granted 1 week vacation if they have been there for 1 year. A second week will be granted to 2+ years of service. When employees leave exceeds 40 days, extra days will be bought out by the District each August at the rate of one half of the sub teacher daily rate. Upon termination/retirement, employees will be paid out their sick days at a max of 40 days at one half the sub teacher's daily rate. As of June 30, 2019, the accrued sick leave payable was \$35,809.

6. Long-term Obligations

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

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

7. Estimates

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

8. Fund Balance and Net Position

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

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

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

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

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

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to Financial Statements  
June 30, 2019  
(continued)

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

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

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

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

At June 30, 2019 the amounts restricted is \$106,709 for the TABOR Reserve and \$424,474 for Debt Services. Within the governmental fund financial statements, amounts committed include \$136,264 for Capital Projects; the amount nonspendable for Food Service is \$7,724; the amount assigned for Food Services is \$25,322; the amount assigned for Student Activities is \$3,186; and the amount assigned for Pupil Activities is \$54,930.

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment. However, the District has made certain interpretations of the amendment’s language in order to determine its compliance.
- B. The District is in compliance with Financial Policies and Procedures Handbook prepared by the Colorado Department of Education.
- C. During the 2018-2019 fiscal year, the school transferred \$58,887 of the Student Activities Special Agency Fund’s fund balance to create the Pupil Activities Custodial Special Revenue Fund. This is an early implementation of GASB 85 and is noted on page 2 as a change in accounting policy.

(3) DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

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

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

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Notes to Financial Statements  
 June 30, 2019  
 (continued)

At June 30, 2019, the District's cash deposits had a bank balance and carrying balance as follows:

	Bank Balance	Carrying Balance
Insured (FDIC)	304,882	774,871
In Colo Trust		1,791,025
Uninsured: Collateral Held by District's Agent in Agent's Name	52,994	-
Total Cash	357,876	2,565,895

As presented above, deposits with a bank balance of \$52,994 and a carrying balance of \$0 as of June 30, 2019, are uninsured, are exposed to custodial credit risk, and are collateralized with securities held by the pledging financial institution.

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

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

- C. Changes in General Fixed Assets

	Beginning Balance	Increase	Decrease	Ending Balance
Governmental Activities				
Sites & Improvements	1,023,387			1,023,387
Buildings & Improvements	6,031,433			6,031,433
Equipment	544,936	34,947		579,883
Transportation	286,945	0	0	286,945
Total	7,886,701	34,947	0	7,921,648
Less Accumulated Depreciation				
Sites & Improvements	426,975	12,969		439,944
Buildings & Improvements	2,673,649	129,138		2,802,787
Equipment	381,720	33,330		415,050
Transportation	161,019	20,530	0	181,549
Total	3,643,363	195,967	0	3,839,330
Government Activities				
Capital Assets, Net	4,243,338	(161,020)	0	4,082,318

Depreciation expense for the governmental activities was allocated \$171,330 to instruction, \$20,530 to transportation, and \$4,107 to food services.

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2019  
(continued)

## D. Changes in Long-Term Debt –

<u>Issue</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Lease Payable	1,250,000	0	0	1,250,000
Health Care Trust Fund Liability	238,339	38,774	(16,575)	260,538
Net Pension Liability	<u>10,437,088</u>	<u>27,172</u>	<u>(5,247,653)</u>	<u>5,216,607</u>
Total	<u>11,925,427</u>	<u>65,946</u>	<u>(5,264,228)</u>	<u>6,727,145</u>

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

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

Debt service requirement to maturity:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	70,000	52,625	122,625
2021	70,000	52,625	122,625
2022	70,000	52,625	122,625
2023-2027	350,000	263,125	613,125
2027-2030	<u>270,000</u>	<u>184,188</u>	<u>454,188</u>
	830,000	605,188	1,435,188
Held in Escrow	<u>420,000</u>		
	<u>1,250,000</u>		

## (4) OTHER INFORMATION

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

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

- B. Accrued Salaries and Benefits Payable - teachers and certain other instructional employees are budgeted and paid over a twelve month period from September 1 to August 31 but are earned over a school year of approximately a nine month period. The salaries earned but not paid at June 30 are shown as an accrued liability.

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2019  
(continued)

- C. Operating Transfers In (Out) - The General Fund transferred \$25,000 to the Student Activity Special Revenue Fund, \$45,000 to the Food Services Fund, and \$50,000 to the Capital Projects Fund for operating expenses.
- D. Defined Benefit Pension Plan

**Summary of Significant Accounting Policies**

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://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 non-employer 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.

**General Information about the Pension Plan**

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Notes to the Financial Statements  
June 30, 2019  
(continued)

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

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

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

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

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

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

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.

ELBERT COUNTY SCHOOL DISTRICT C-2  
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Notes to the Financial Statements  
June 30, 2019  
(continued)

*Contributions provisions as of June 30, 2019:* Eligible employees, of 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 December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>19.13%</b>	<b>19.13%</b>

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 non-employer 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 \$312,937 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District's proportion of the net pension liability was based on June 30, 2019 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

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At June 30, 2019, the District reported a liability of \$5,216,607 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer 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 non-employer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the net pension liability	\$5,216,607
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District.	\$627,497
Total	\$5,844,104

At December 31, 2018, the District's proportion was 0.0294606146 percent, which was a decrease of 0.0028159311 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension income of \$747,152 and revenue of \$3,665 for support from the State as a non-employer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	176,953	-0-
Changes of assumptions or other inputs	973,702	3,244,168
Net difference between projected and actual earnings on pension plan investments	284,338	-0-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-0-	622,113
Contributions subsequent to the measurement date	160,133	N/A
Total	1,595,126	3,866,282

There was \$160,133 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

<b>Year ending June 30:</b>	
2020	(300,800)
2021	(204,887)
2022	(116,427)
2023	-0-
2024	-0-
Thereafter	-0-

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*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 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07;	and DPS benefit structure (automatic)
	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (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

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

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

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

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

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

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

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

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

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

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.

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- 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%)
Proportionate share of the net pension liability	6,632,023	5,216,607	4,028,834

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

E. Other Post-Employment Benefits

**Summary of Significant Accounting Policies**

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

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**General Information about the OPEB Plan**

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

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

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

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

*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.

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*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 the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$16,686 for the year ended June 30, 2019.

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

At June 30, 2019, the District reported a liability of \$260,538 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.0191495560 percent, which was an increase of 0.0008101516 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,797. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	946	397
Changes of assumptions or other inputs	1,828	-0-
Net difference between projected and actual earnings on OPEB plan investments	1,498	-0-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,891	2,454
Contributions subsequent to the measurement date	8,538	N/A
Total	21,701	2,850

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There was \$8,538 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 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 ending June 30:	
2020	1,164
2021	1,164
2022	1,164
2023	1,164
2024	1,710
Thereafter	71

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
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.

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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:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
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:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
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.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

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

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

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

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

The following health care 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.

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	253,343	260,538	268,813

*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.

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- 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	291,519	260,538	234,052

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

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

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

At June 30, 2018, total assets were \$3,327,744, deferred outflows were \$5,904,957, total liabilities were \$20,049,626, deferred inflows were \$1,234,522, net position was \$(12,051,447), revenues were \$8,973,067, and expenses were \$12,249,299.

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

REQUIRED SUPPLEMENTARY INFORMATION

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2019

	<u>General Fund</u>			Variance With Final Budget Positive (Negative)
	<u>Budgeted Amounts</u>		<u>Actual</u>	
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	912,903	912,903	949,962	37,059
State Sources	2,441,901	2,441,901	2,455,184	13,283
Federal Sources	<u>57,965</u>	<u>57,965</u>	<u>98,818</u>	<u>40,853</u>
Total Revenues	3,412,769	3,412,769	3,503,964	91,195
<b>EXPENDITURES</b>				
Current				
Instruction	1,977,131	1,977,131	1,909,684	67,447
Supporting Services				
Pupils	103,161	103,161	91,643	11,518
Instructional Staff - Library	231,888	231,888	194,421	37,467
General Administration	199,941	199,941	197,406	2,535
School Administration	219,962	219,962	244,611	(24,649)
Business Services	132,020	132,020	91,848	40,172
Operations & Maintenance	451,326	451,326	395,476	55,850
Pupil Transportation	116,461	116,461	114,684	1,777
Central Services	117,300	117,300	125,387	(8,087)
Debt Service	73,600	73,600	3,447	70,153
Capital Outlay	41,350	41,350	21,016	20,334
Appropriated reserves	<u>1,629,800</u>	<u>1,629,800</u>	<u>0</u>	<u>1,629,800</u>
Total Expenditures	<u>5,293,940</u>	<u>5,293,940</u>	<u>3,389,625</u>	<u>1,904,315</u>
Excess of Revenues over (under) Expenditures	(1,881,171)	(1,881,171)	114,339	1,995,510
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>(170,000)</u>	<u>(170,000)</u>	<u>(120,000)</u>	<u>50,000</u>
Excess or revenues and other sources over (under) expenditures and other uses	(2,051,171)	(2,051,171)	(5,661)	2,045,510
Fund Balance - Beginning	<u>2,051,171</u>	<u>2,051,171</u>	<u>2,051,171</u>	<u>(0)</u>
Fund Balance - Ending	<u>0</u>	<u>0</u>	<u>2,045,510</u>	<u>2,045,510</u>

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



ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion (percentage) of the collective net pension liability	0.029461%	0.032277%	0.032754%	0.036987%	0.040143%	0.042400%
Proportionate share of the collective net pension liability	5,216,607	10,437,088	9,752,179	5,656,872	5,440,727	5,408,155
Covered payroll	1,618,571	1,488,884	1,470,065	1,611,796	1,681,702	1,708,907
Proportionate share of the net pension liability as a percentage of its covered payroll	322.30%	701.00%	663.38%	350.97%	323.52%	316.47%
Plan fiduciary net position as a percentage of total pension liability	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%

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

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

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

As of June 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Statutorily required contributions	312,937	293,531	271,517	264,403	286,002	268,288	265,180	260,914	236,236	222,537
Contributions in relation to the statutorily required contribution	<u>312,937</u>	<u>293,531</u>	<u>271,517</u>	<u>264,403</u>	<u>286,002</u>	<u>268,288</u>	<u>265,180</u>	<u>260,914</u>	<u>236,236</u>	<u>222,537</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	1,635,845	1,553,582	1,476,789	1,491,148	1,693,128	1,677,848	1,757,907	1,838,181	1,777,298	1,797,158
Contributions as a percentage of covered payroll	19.13%	18.89%	18.39%	17.73%	16.89%	15.99%	15.08%	14.19%	13.29%	12.38%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion (percentage) of the collective net pension liability	0.019150%	0.018339%	0.018618%
Proportionate share of the collective net pension liability	260,538	238,339	241,387
Covered payroll	1,618,571	1,488,884	1,470,065
Proportionate share of the net pension liability as a percentage of its covered payroll	16.10%	16.01%	16.42%
Plan fiduciary net position as a percentage of total pension liability	17.03%	17.53%	N/A

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

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

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

As of June 30,	<u>2019</u>	<u>2018</u>	<u>2017</u>
Statutorily required contributions	16,686	15,847	15,210
Contributions in relation to the statutorily required contribution	<u>16,686</u>	<u>15,847</u>	<u>15,210</u>
Contribution deficiency (excess)	<u>0</u>	<u>0</u>	0
Covered payroll	1,635,845	1,553,582	1,491,148
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

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

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



## OTHER INFORMATION

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Combining Balance Sheet  
 All Nonmajor Governmental Funds  
 June 30, 2019

	Food <u>Service</u>	Student <u>Activity</u>	Pupil <u>Activity</u>	Capital <u>Projects</u>	<u>Totals</u>
<b>ASSETS</b>					
Cash	38,085	3,186	54,930	136,264	232,464
Accounts/Grants Receivable	4,580	0	0	0	4,580
Inventory	<u>7,724</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,724</u>
Total Assets	<u>50,389</u>	<u>3,186</u>	<u>54,930</u>	<u>136,264</u>	<u>244,768</u>
<b>LIABILITIES</b>					
Accrued Sick Leave	5,813	0	0	0	5,813
Accrued Salaries & Benefits	<u>10,100</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>10,100</u>
Total Liabilities	15,912	0	0	0	15,912
<b>UNEARNED REVENUE</b>					
	1,430	0	0	0	1,430
<b>FUND BALANCE</b>					
Nonspendable	7,724	0	0	0	7,724
Committed	0	0	0	136,264	136,264
Assigned	<u>25,322</u>	<u>3,186</u>	<u>54,930</u>	<u>0</u>	<u>83,438</u>
Total Fund Balances	<u>33,046</u>	<u>3,186</u>	<u>54,930</u>	<u>136,264</u>	<u>227,426</u>
Total Liabilities and Fund Balances	<u>50,389</u>	<u>3,186</u>	<u>54,930</u>	<u>136,264</u>	<u>244,768</u>

## ELBERT COUNTY SCHOOL DISTRICT C-2

Kiowa, Colorado

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

All Nonmajor Governmental Funds

For the Year Ended June 30, 2019

	<u>Food Service</u>	<u>Student Activity</u>	<u>Pupil Activity</u>	<u>Capital Projects</u>	<u>Totals</u>
<b>REVENUES</b>					
Local Sources	35,770	27,165	72,961	29,558	165,454
State Sources	3,265	0	0	0	3,265
Federal Sources	<u>56,169</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>56,169</u>
Total Revenues	95,205	27,165	72,961	29,558	224,888
<b>EXPENDITURES</b>					
Current					
Food Service	153,217	0	0	0	153,217
Other	0	50,482	76,918	0	127,401
Capital Outlay	<u>0</u>	<u>0</u>	<u>0</u>	<u>64,022</u>	<u>64,022</u>
Total Expenditures	<u>153,217</u>	<u>50,482</u>	<u>76,918</u>	<u>64,022</u>	<u>344,639</u>
Excess of Revenues over (under) Expenditures	(58,012)	(23,317)	(3,957)	(34,464)	(119,751)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	<u>45,000</u>	<u>25,000</u>	0	<u>50,000</u>	<u>120,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(13,012)	1,683	(3,957)	15,536	249
Fund Balance - Beginning	46,059	1,503	0	120,727	168,289
Change in Accounting-Note 2C	<u>0</u>	<u>0</u>	<u>58,887</u>	<u>0</u>	<u>58,887</u>
Fund Balance - Ending	<u>33,046</u>	<u>3,186</u>	<u>54,930</u>	<u>136,264</u>	<u>227,426</u>

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



## GENERAL FUND

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

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
<b>ASSETS</b>			
Cash			
On Hand	2,500	2,500	0
In Bank	2,330,375	2,270,857	59,518
Cash with County Treasurer	<u>556</u>	<u>14,485</u>	<u>(13,929)</u>
Total Cash	2,333,431	2,287,842	45,588
Accounts Receivable/ Grants Receivable	0	108,393	(108,393)
Accrued Property Tax Receivable	<u>33,809</u>	<u>25,945</u>	<u>7,865</u>
Total Assets	<u>2,367,240</u>	<u>2,422,180</u>	<u>(54,940)</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	11,571	80,872	(69,301)
Accrued Sick Leave	29,997	31,450	(1,453)
Accrued Salaries and Benefits Payable	<u>280,163</u>	<u>246,688</u>	<u>33,474</u>
Total Liabilities	321,730	359,009	(37,279)
Unearned Revenue	0	12,000	(12,000)
Fund Balance			
Restricted for TABOR Reserve	106,709	97,643	9,067
Restricted for Debt Service	424,474	352,678	71,796
Unassigned	<u>1,514,327</u>	<u>1,600,850</u>	<u>(86,523)</u>
Total Fund Balance	<u>2,045,510</u>	<u>2,051,171</u>	<u>(5,661)</u>
Total Liabilities and Fund Balance	<u>2,367,240</u>	<u>2,422,180</u>	<u>(54,940)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
From Local Sources				
Current Property Taxes	743,500	745,213	1,713	742,856
Specific Ownership Taxes	128,503	140,794	12,291	128,503
Delinquent Taxes & Interest	1,000	1,800	800	1,089
Investment Interest	22,000	38,066	16,066	26,970
Tuition	11,000	12,633	1,633	9,719
Other	<u>6,900</u>	<u>11,455</u>	<u>4,555</u>	<u>22,133</u>
Total Local Sources	912,903	949,962	37,059	931,270
From State Sources				
Equalization	2,192,761	2,191,720	(1,041)	2,126,898
ELPA	1,800	1,314	(486)	1,810
Pension Special Funding	0	40,944	40,944	0
Transportation	41,295	42,281	986	39,611
BOCES Flowthrough	31,880	53,593	21,713	43,061
Other	<u>174,165</u>	<u>125,333</u>	<u>(48,832)</u>	<u>162,729</u>
Total State Sources	2,441,901	2,455,184	13,283	2,374,108
From Federal Sources				
Federal	17,645	58,020	40,375	17,645
BOCES Flowthrough	<u>40,320</u>	<u>40,798</u>	<u>478</u>	<u>29,735</u>
Total Federal Sources	<u>57,965</u>	<u>98,818</u>	<u>40,853</u>	<u>47,380</u>
Total Revenues	3,412,769	3,503,964	91,195	3,352,758
Expenditures	<u>5,293,940</u>	<u>3,389,625</u>	<u>1,904,315</u>	<u>3,119,847</u>
Excess of Revenues over (under) Expenditures and Other Sources	(1,881,171)	114,339	1,995,510	232,911
Other Financing Sources (Uses) Operating Transfers In (Out)	<u>(170,000)</u>	<u>(120,000)</u>	<u>50,000</u>	<u>(189,000)</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(2,051,171)	(5,661)	2,045,510	43,911
Fund Balance - Beginning	<u>2,051,171</u>	<u>2,051,171</u>	<u>0</u>	<u>2,007,260</u>
Fund Balance - Ending	<u>0</u>	<u>2,045,510</u>	<u>2,045,510</u>	<u>2,051,171</u>

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

## ELBERT COUNTY SCHOOL DISTRICT C-2

Kiowa, Colorado

General Fund

## Statement of Expenditures - Budget and Actual

For the Year Ended June 30, 2019

With Comparative Actual Amounts for the Year Ended June 30, 2018

			Variance	Actual
			Favorable	Prior
			(Unfavorable)	Year
INSTRUCTION				
Current	<u>Budget</u>	<u>Actual</u>		<u>Year</u>
Salaries	1,210,839	1,161,190	49,649	1,045,479
Employee Benefits	541,252	544,757	(3,505)	438,382
Purchased Services	150,340	144,771	5,569	133,323
Supplies and Material	73,650	58,761	14,889	39,017
Other	1,050	205	845	219
Capital Outlay	<u>14,850</u>	<u>4,445</u>	<u>10,405</u>	<u>9,052</u>
Total Instruction	1,991,981	1,914,129	77,852	1,665,471
SUPPORTING SERVICES				
Students				
Current				
Salaries	45,709	45,496	213	42,778
Employee Benefits	18,409	18,085	324	16,816
Purchased Services	19,600	19,685	(85)	13,111
Supplies and Material	15,900	4,963	10,937	4,872
Other	3,543	3,414	129	3,543
Capital Outlay	<u>200</u>	<u>504</u>	<u>(304)</u>	<u>0</u>
Total Students	103,361	92,147	11,214	81,120
Instructional Staff Services				
Current				
Salaries	53,228	58,526	(5,298)	13,350
Employee Benefits	26,010	27,289	(1,279)	7,058
Purchased Services	124,250	75,721	48,529	98,662
Supplies and Material	22,400	22,043	357	18,142
Other	6,000	10,842	(4,842)	10,824
Capital Outlay	<u>6,500</u>	<u>679</u>	<u>5,821</u>	<u>12,801</u>
Total Instructional Staff	238,388	195,100	43,288	160,836
General Administration				
Current				
Salaries	149,283	131,547	17,736	110,625
Employee Benefits	39,219	58,120	(18,901)	33,067
Purchased Services	4,939	3,046	1,893	4,288
Supplies and Material	500	1,048	(548)	394
Other	<u>6,000</u>	<u>3,644</u>	<u>2,356</u>	<u>1,724</u>
Total General Administration	199,941	197,406	2,535	150,097

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

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>School Administration</b>				
Current				
Salaries	153,972	179,689	(25,717)	250,411
Employee Benefits	62,990	64,870	(1,880)	78,619
Purchased Services	1,500	0	1,500	405
Supplies and Material	500	52	448	111
Other	1,000	0	1,000	535
Capital Outlay	<u>1,000</u>	<u>0</u>	<u>1,000</u>	<u>0</u>
Total School Administration	220,962	244,611	(23,649)	330,081
<b>Business</b>				
Current				
Salaries	73,200	48,193	25,007	63,273
Employee Benefits	25,747	17,601	8,146	15,446
Purchased Services	32,073	24,784	7,289	27,910
Supplies and Material	1,000	1,191	(191)	706
Other	<u>0</u>	<u>80</u>	<u>(80)</u>	<u>0</u>
Total Business	132,020	91,848	40,172	107,335
<b>Operations &amp; Maintenance</b>				
Current				
Salaries	65,474	63,868	1,606	72,497
Employee Benefits	22,679	20,733	1,946	31,834
Purchased Services	240,173	187,346	52,827	173,701
Supplies and Material	123,000	123,529	(529)	106,257
Capital Outlay	<u>4,300</u>	<u>1,981</u>	<u>2,319</u>	<u>3,666</u>
Total Operations & Maintenance	455,626	397,457	58,169	387,955
<b>Pupil Transportation</b>				
Current				
Salaries	18,800	21,699	(2,899)	18,767
Employee Benefits	4,061	7,001	(2,940)	4,254
Purchased Services	73,600	68,607	4,993	70,359
Supplies and Material	20,000	17,377	2,623	28,805
Capital Outlay	<u>3,500</u>	<u>0</u>	<u>3,500</u>	<u>3,220</u>
Total Pupil Transportation	119,961	114,684	5,277	125,405

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 General Fund  
 Statement of Expenditures - Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018  
 (continued)

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Support Services				
Current				
Benefits	0	3,192	(3,192)	0
Purchased Services	100,800	115,861	(15,061)	89,184
Supplies and Material	16,500	6,334	10,166	17,337
Capital Outlay	<u>11,000</u>	<u>13,408</u>	<u>(2,408)</u>	<u>1,552</u>
Total Support Services	<u>128,300</u>	<u>138,795</u>	<u>(10,495)</u>	<u>108,073</u>
Total Support Services	1,598,559	1,472,048	126,511	1,450,902
Debt Service	73,600	3,447	70,153	3,473
Contingency Reserve	<u>1,629,800</u>	<u>0</u>	<u>1,629,800</u>	<u>0</u>
<b>TOTAL EXPENDITURES</b>	<u>5,293,940</u>	<u>3,389,625</u>	<u>1,904,315</u>	<u>3,119,847</u>

## SPECIAL REVENUE FUNDS

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

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

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

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
<b>ASSETS</b>			
Current Assets			
Cash	38,085	60,826	(22,741)
Accounts & Grants Receivable	4,580	335	4,245
Inventory	<u>7,724</u>	<u>7,884</u>	<u>(160)</u>
Total Current Assets	<u>50,389</u>	<u>69,045</u>	<u>(18,656)</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Due to Other Funds	0	4,819	(4,819)
Accrued Sick Leave	5,813	7,060	(1,248)
Accrued Salaries & Benefits	<u>10,100</u>	<u>9,538</u>	<u>562</u>
Total Liabilities	15,912	21,417	(5,505)
Unearned Revenue	1,430	1,569	(139)
Fund Balance			
Nonspendable	7,724	7,884	(160)
Assigned	<u>25,322</u>	<u>38,174</u>	<u>(12,852)</u>
Total Fund Balance	<u>33,046</u>	<u>46,059</u>	<u>(13,012)</u>
Total Liabilities and Fund Balance	<u>50,389</u>	<u>69,045</u>	<u>(18,656)</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Food Services Special Revenue Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018

REVENUES	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
Charges for Service				
Lunches	43,300	35,770	(7,530)	44,341
State Grants	1,469	3,265	1,796	1,273
Federal aid	53,000	48,517	(4,483)	35,551
Commodities Donated	<u>6,000</u>	<u>7,652</u>	<u>1,652</u>	<u>7,298</u>
Total Revenue	103,769	95,205	(8,564)	88,463
EXPENDITURES				
Salaries	60,143	59,368	775	54,831
Benefits	31,113	29,639	1,474	24,729
Purchased Services	6,800	4,594	2,206	1,958
Food, Milk & Snacks	66,050	49,086	16,964	41,827
Commodities	8,000	7,652	348	7,928
Supplies	4,100	2,429	1,671	2,531
Capital Outlay	<u>18,622</u>	<u>449</u>	<u>18,173</u>	<u>2,213</u>
Total Expenditures	<u>194,828</u>	<u>153,217</u>	<u>41,611</u>	<u>135,387</u>
Excess of Revenues over (under) Expenditures and Other Sources	(91,059)	(58,012)	33,046	(46,923)
Other Financing Sources				
Operating Transfers In	<u>45,000</u>	<u>45,000</u>	<u>0</u>	<u>60,000</u>
Excess of Revenues and Other Sources over (under) Expenditures	(46,059)	(13,012)	33,046	13,077
Fund Balance - Beginning	<u>46,059</u>	<u>46,059</u>	<u>0</u>	<u>32,982</u>
Fund Balance - Ending	<u>0</u>	<u>33,046</u>	<u>33,046</u>	<u>46,059</u>

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
ASSETS			
Cash	<u>3,186</u>	<u>1,503</u>	<u>1,683</u>
ASSIGNED FUND BALANCE	<u>3,186</u>	<u>1,503</u>	<u>1,683</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Student Activity Special Revenue Fund  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Gate/Door Admissions	12,000	8,340	(3,660)	10,832
Fees	22,000	17,148	(4,852)	21,892
Tickets/Passes	2,000	1,030	(970)	1,410
Other Income	<u>1,000</u>	<u>646</u>	<u>(354)</u>	<u>847</u>
Total Revenues	37,000	27,165	(9,835)	34,981
<b>EXPENDITURES</b>				
Current				
Purchased Services	39,850	31,755	8,095	34,681
Supplies	20,600	18,728	1,872	20,085
Contingency Reserve	<u>3,053</u>	<u>0</u>	<u>3,053</u>	<u>0</u>
Total Expenditures	<u>63,503</u>	<u>50,482</u>	<u>13,021</u>	<u>54,766</u>
Excess of Revenues over (under) Expenditures	(26,503)	(23,317)	3,186	(19,785)
Operating Transfer In	<u>25,000</u>	<u>25,000</u>	<u>0</u>	<u>19,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(1,503)	1,683	3,186	(785)
Fund Balance - Beginning	<u>1,503</u>	<u>1,503</u>	<u>0</u>	<u>2,288</u>
Fund Balance - Ending	<u>0</u>	<u>3,186</u>	<u>3,186</u>	<u>1,503</u>

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

	<u>06/30/19</u>
ASSETS	
Cash	<u>54,930</u>
ASSIGNED FUND BALANCE	<u>54,930</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
Kiowa, Colorado  
Pupil Activity Custodial Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
For the Year Ended June 30, 2019

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Pupil Activities	188,887	72,961	(115,926)
EXPENDITURES			
Current			
Supplies	<u>188,887</u>	<u>76,918</u>	111,969
Excess of Revenues over (under) Expenditures	0	(3,957)	(3,957)
Fund Balance - Beginning	0	0	0
Change in Accounting-Note 2C	<u>0</u>	<u>58,887</u>	<u>58,887</u>
Fund Balance - Ending	<u>0</u>	<u>54,930</u>	<u>54,930</u>

## CAPITAL PROJECTS FUND

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

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

	<u>6/30/19</u>	<u>6/30/18</u>	<u>Change</u>
<b>ASSETS</b>			
Cash	136,264	115,908	20,356
Due From Other Funds	<u>0</u>	<u>4,819</u>	<u>(4,819)</u>
Total Assets	<u>136,264</u>	<u>120,727</u>	<u>15,536</u>
<b>FUND BALANCE</b>			
Committed for Capital Projects	<u>136,264</u>	<u>120,727</u>	<u>15,536</u>

ELBERT COUNTY SCHOOL DISTRICT C-2  
 Kiowa, Colorado  
 Capital Reserve Capital Projects Fund  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Budget and Actual  
 For the Year Ended June 30, 2019  
 With Comparative Actual Amounts for the Year Ended June 30, 2018

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	Actual Prior Year
<b>REVENUES</b>				
Local Sources				
Investment Earnings	700	2,046	1,346	714
Donations	<u>0</u>	<u>27,512</u>	<u>27,512</u>	<u>0</u>
Total Revenues	700	29,558	28,858	714
 <b>EXPENDITURES</b>				
Capital Outlay				
Equipment	0	9,960	(9,960)	49,164
Noncapital Equipment	<u>45,000</u>	<u>54,062</u>	<u>(9,062)</u>	<u>37,940</u>
Total Capital Outlay	45,000	64,022	(19,022)	87,104
Other				
Repairs & other	40,000	0	40,000	26,620
Appropriated Reserves	<u>136,427</u>	<u>0</u>	<u>136,427</u>	<u>0</u>
Total Expenditures	<u>221,427</u>	<u>64,022</u>	<u>157,405</u>	<u>113,724</u>
Excess of Revenues over (under) Expenditures	(220,727)	(34,464)	186,263	(113,009)
Other Financing Sources (Uses)				
Operating Transfers In (Out)	<u>100,000</u>	<u>50,000</u>	<u>(50,000)</u>	<u>110,000</u>
Excess of Revenues and Other Sources over (under) Expenditures and Other Uses	(120,727)	15,536	136,264	(3,009)
Fund Balance - Beginning	<u>120,727</u>	<u>120,727</u>	<u>0</u>	<u>123,737</u>
Fund Balance - Ending	<u>0</u>	<u>136,264</u>	<u>136,264</u>	<u>120,727</u>

AUDITOR'S INTEGRITY REPORT



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0930 - Kiowa C-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
<b>Governmental</b>							
10 General Fund	2,051,171		3,383,964		3,389,625		2,045,510
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	0		0		0		0
<b>Sub-Total</b>	<b>2,051,171</b>		<b>3,383,964</b>		<b>3,389,625</b>		<b>2,045,510</b>
11 Charter School Fund	0		0		0		0
20,26-29 Special Revenue Fund	58,887		72,961		76,918		54,930
06 Supplemental Cap Const, Tech, Main, Fund	0		0		0		0
21 Food Service Spec Revenue Fund	46,058		140,205		153,217		33,046
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	1,503		52,165		50,482		3,186
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	0		0		0		0
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	120,727		79,558		64,022		136,264
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
<b>Totals</b>	<b>2,278,347</b>		<b>3,728,852</b>		<b>3,734,264</b>		<b>2,272,936</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60,65-69 Other Internal Service Funds	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>
<b>Fiduciary</b>							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
<b>Totals</b>	<b>0</b>		<b>0</b>		<b>0</b>		<b>0</b>

FINAL