

**East Grand School District No. 2**

**Annual Financial Report**

**June 30, 2020**



**East Grand School District No. 2**  
**Annual Financial Report**  
**June 30, 2020**

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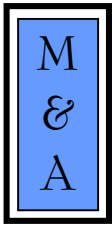
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# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

## INDEPENDENT AUDITOR'S REPORT

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

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

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

***Opinions***

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Pension Contributions, the Schedule of the District's Proportionate Share of OPEB Liability, the Schedule of District OPEB Contributions, and the Notes to the Required Supplemental Information in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

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

***Other Matters (continued)***

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
December 16, 2020**

East Grand School District No. 2

Management's Discussion and Analysis



**East Grand School District No. 2**  
**Management's Discussion and Analysis**  
**As of and for the Fiscal Year Ended June 30, 2020**

As management of the East Grand School District No. 2 (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2020.

**Financial Highlights**

- The liabilities of the District exceeded its assets at year-end by \$19,454,367. This deficit net position is primarily the result of the District's share of PERA's net pension liability.
- The District's total net position increased by \$5,117,362. This is primarily related to the current year change in the District's pension liability.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balance of \$13,134,831, which increased \$3,534,381 from the prior year. The overall increase is primarily due to receipt of the YMCA abated property tax and additional Forest Reserve funds offset by an increase in expenses in the general fund.
- At the end of the current fiscal year, the total fund balance for the General Fund was \$6,039,531 or 38% of total General Fund expenditures and transfers of \$15,730,867. The District has continued to weather the economic challenges facing the state of Colorado and its ability to fund education. The District's General Fund includes the Insurance Reserve Fund, as required by the Colorado Department of Education.

**Overview of the Financial Statements**

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

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

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

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

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

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

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

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

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

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

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

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

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

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

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information. The combining statements referred to earlier in connection with non-major governmental funds are presented following the notes. Combining fund statements and schedules can be found on pages F4 and F5 of this report.

### District-wide Financial Analysis:

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the East Grand School District No. 2, liabilities exceed assets by \$19,454,367 at year end.

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

	Governmental Activities	
	FY 2020	FY 2019
Assets:		
Current and other assets	\$ 17,438,085	\$ 11,096,676
Capital assets	30,770,099	28,918,272
Total Assets	<u>48,208,184</u>	<u>40,014,948</u>
Deferred Outflows of resources	<u>5,704,567</u>	<u>10,727,385</u>
Liabilities:		
Other liabilities	4,379,904	1,795,017
Long-term liabilities	53,265,956	53,512,986
Total Liabilities	<u>57,645,860</u>	<u>55,308,003</u>
Deferred Inflows of resources	<u>15,721,258</u>	<u>20,254,274</u>
Net Position:		
Net Investment in capital assets	4,846,325	6,824,186
Restricted	4,270,391	6,234,687
Unrestricted	(28,571,083)	(37,878,817)
Total Net Position	<u>\$ (19,454,367)</u>	<u>\$ (24,819,944)</u>

Of the District's total net position, \$4,846,325 reflects its investment in capital assets (e.g., land, buildings and equipment, etc.) less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students and the community; consequently, these assets are not available for future spending. Although the East Grand School District No. 2's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from property taxes, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's long-term liabilities decreased due to a decrease in the District's share of PERA's net pension liability of \$3,697,167. This resulted in a year end net pension liability for the District of \$23,778,480. This change is partially related to the State of Colorado's contribution to PERA.

**District-wide Financial Analysis (continued):**

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

	Governmental Activities	
	FY 2020	FY 2019
Revenues:		
<i>Program revenues</i>		
Charges for services	\$ 358,206	\$ 390,244
Operating grants and contributions	1,546,408	1,491,292
Capital grants and contributions	571,450	19,833
<i>General revenues</i>		
Property taxes	13,436,838	11,202,259
Specific ownership taxes	990,535	947,773
State revenue	2,651,847	3,464,369
Investment earnings	115,145	146,681
Other	1,549,438	1,772,158
Gain on sale of assets	-	-
Total revenues	<u>21,219,867</u>	<u>19,434,609</u>
Expenditures:		
Direct instruction	8,228,378	8,301,250
Indirect instruction	1,809,434	1,523,810
Transportation	671,738	663,769
Custodial maintenance	1,506,690	1,568,385
Support services	340,580	333,573
General administration	1,495,391	1,589,707
Community service	31,014	-
Student activities	738,679	504,431
Interest	889,223	826,275
Food services	391,378	435,362
Total Expenses	<u>16,102,505</u>	<u>15,746,562</u>
Change in net position	5,117,362	3,688,047
Net position - July 1 (Restated)	(24,571,729)	(28,507,991)
Net position - June 30	<u>\$ (19,454,367)</u>	<u>\$ (24,819,944)</u>

**Governmental Activities:** As indicated above, governmental activities changed the District's net position by \$5,117,362. Key elements of this change are as follows:

- Beginning net position for fiscal year 2020 is restated by \$248,217 as a result of the implementation of Governmental Accounting Standards Board Statement No. 84 *Fiduciary Activities*. Details of the restatement can be found at Note V.J.
- The change to the net pension liability which resulted in pension revenue of (\$3,705,095) allocated to the above expenses in relation to salary costs.

## Financial Analysis of the District's Funds

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

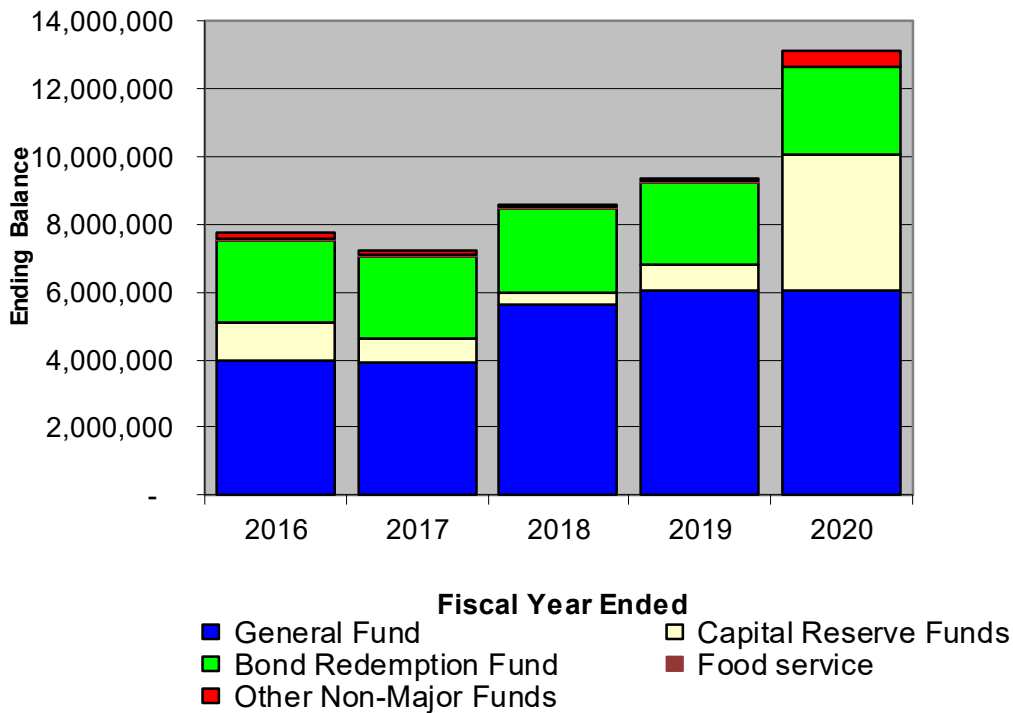
**Governmental Funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balances may serve as a useful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

- As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13,134,831 which increased by \$3,534,381 from the prior year ending fund balances. The majority of this increase is related to debt proceeds of \$5,990,000 received in the Building Fund.
- Of the ending fund balance a portion is restricted to servicing required debt principal and interest payments, as well as the required 3% TABOR emergency reserve.

### Fund Balance Trending:

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

**Schedule of Ending Fund Balances**



As shown above in the bar graph the District's Capital Reserve ending fund balance increase as a result of increased available revenues from debt proceeds in the Building Fund.

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

<b>REVENUES</b>	<b>Variance Positive (Negative)</b>	<b>Reason</b>
Taxes:		
Specific ownership taxes	150,647	Conservative budget
<b>EXPENDITURES</b>		
Direct instruction	286,655	COVID-19 closures and cancelations
Transportation	(225,666)	Cost of provide summer meals due to COVID-19
Custodial and maintenance	141,641	COVID-19 closures and cancelations
General administration	77,578	COVID-19 closures and cancelations

**Budget Amendments**

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

**Capital Assets:** The District's governmental capital assets, net of accumulated depreciation, totaled \$30,642,889 as of June 30, 2020. The District capitalizes assets, including land, buildings and improvements, vehicles, equipment, and construction in progress, with an original cost greater than \$5,000 and useful life of more than two years.

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

**Long-Term Debt:** As of the end of the current fiscal year, the District's long-term debt totaled \$53,265,956.

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

**Economic Factors and Outlook**

While property valuation in Grand County remains relatively flat, the District is seeing a decrease in the pupil count due to COVID-19 which may have an impact on future revenues.

The spread of COVID-19 may have other operational, economic, and financial impacts on the District. The significance and duration of the potential impacts cannot be reasonably estimated at this time.

**Request for Information**

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

East Grand School District No. 2

Basic Financial Statements



**East Grand School District No. 2**  
**Statement of Net Position**  
**June 30, 2020**

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents - unrestricted	806,704
Investments - unrestricted	8,318,093
Investments - restricted	6,789,266
Accounts, taxes, and interest receivable	1,466,922
Grants receivable	141,050
Prepaid expenses	37,182
Inventory	6,078
Total current assets	17,565,295
Capital assets:	
Construction in progress	3,261,495
Land	524,414
Buildings and improvements	57,275,050
Equipment	965,608
Vehicles	1,943,162
Less: Accumulated depreciation	(33,326,840)
Total capital assets	30,642,889
Total assets	48,208,184
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Deferred charges on refunding, net	1,957,254
Items related to pension	3,620,103
Items related to post employment health benefits	127,210
Total deferred outflows of resources	5,704,567
<b>LIABILITIES</b>	
Current liabilities:	
Accounts, retainage, arbitrage & deposits payable	1,766,446
Accrued compensation	1,722,670
Accrued interest	98,038
Unearned revenue	792,750
Total current liabilities	4,379,904
Noncurrent liabilities:	
Compensated absences	564,465
Bonds and capital leases	
Due within one year	2,149,451
Due in more than one year	25,604,367
Other liabilities - due in more than one year	
Pension	23,778,480
Post employment health benefits	1,169,193
Total noncurrent liabilities	53,265,956
Total liabilities	57,645,860
<b>DEFERRED INFLOW OF RESOURCES</b>	
Items related pension	15,498,242
Items related to post employment health benefits	223,016
Total deferred inflows of resources	15,721,258
<b>EQUITY</b>	
Net Investment in Capital Assets	4,846,325
Restricted for:	
TABOR	653,000
Capital projects	748,028
Other purposes	307,718
Debt service	2,561,645
Unrestricted	(28,571,083)
Total net position	(19,454,367)

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

**East Grand School District No. 2**  
**Statement of Activities**  
**For the Year Ended June 30, 2020**

	<u>Program Revenues</u>				<b>Net (Expenses) Revenue and Changes in Net Position</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Functions/Programs:</b>					
<b>Primary Government</b>					
Governmental Activities:					
Direct instruction	8,228,378	28,506	763,923	-	(7,435,949)
Indirect instruction	1,809,434	-	86,715	-	(1,722,719)
Transportation	671,738	9,986	107,251	102,592	(451,909)
Custodial and maintenance	1,506,690	-	-	468,858	(1,037,832)
Support services	340,580	-	163,165	-	(177,415)
General administration	1,495,391	-	-	-	(1,495,391)
Community service	31,014	-	-	-	(31,014)
Student activities	738,679	118,046	230,944	-	(389,689)
Food service	391,378	201,668	194,410	-	4,700
Interest	889,223	-	-	-	(889,223)
Total governmental activities	<u>16,102,505</u>	<u>358,206</u>	<u>1,546,408</u>	<u>571,450</u>	<u>(13,626,441)</u>
<b>General revenues:</b>					
Taxes					
Local property taxes levied for general purposes					10,178,254
Local property taxes levied for debt payments					2,959,008
Local property taxes levied for transportation					299,576
Specific ownership taxes					990,535
State equalization revenue					2,651,847
Grants and contributions not restricted to specific programs					1,549,438
Interest and investment earnings					115,145
Total general revenues and transfers					<u>18,743,803</u>
Change in net position					5,117,362
<b>Net position, beginning - Restated</b>					<u>(24,571,729)</u>
<b>Net position, ending</b>					<u>(19,454,367)</u>

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

**East Grand School District No. 2**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Designated Purpose Grant Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS AND OTHER DEBITS</b>								
Assets:								
Cash and cash equivalents - unrestricted	61,792	28,753	187,837	-	514	254,422	273,386	806,704
Investments - unrestricted	6,997,766	-	600,000	-	-	496,829	223,498	8,318,093
Investments - restricted	-	-	-	2,409,780	4,379,486	-	-	6,789,266
Accounts, taxes, and interest receivable	610,071	-	8,646	152,786	-	250,578	22,481	1,044,562
Grants receivable	-	37,019	104,030	-	273,762	-	-	414,811
Prepaid expenses	33,574	-	-	-	-	-	3,608	37,182
Inventory	-	6,078	-	-	-	-	-	6,078
Due from other funds	8,144	-	-	-	-	-	-	8,144
	<u>7,711,347</u>	<u>71,850</u>	<u>900,513</u>	<u>2,562,566</u>	<u>4,653,762</u>	<u>1,001,829</u>	<u>522,973</u>	<u>17,424,840</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>								
Liabilities:								
Accounts and other current payables	95,756	6,044	37,073	-	1,627,443	-	129	1,766,445
Accrued compensation	1,576,060	38,772	79,786	-	-	-	28,052	1,722,670
Unearned revenue	-	9,096	783,654	-	-	-	-	792,750
Due to other funds	-	7,223	-	921	-	-	-	8,144
	<u>1,671,816</u>	<u>61,135</u>	<u>900,513</u>	<u>921</u>	<u>1,627,443</u>	<u>-</u>	<u>28,181</u>	<u>4,290,009</u>
Fund balances:								
Non-spendable	33,574	6,078	-	-	-	-	3,608	43,260
Spendable:								
Restricted	653,000	-	-	2,561,645	-	-	-	3,214,645
Committed	300,000	4,637	-	-	3,026,319	1,001,829	491,184	4,823,969
Assigned	88,849	-	-	-	-	-	-	88,849
Unassigned	4,964,108	-	-	-	-	-	-	4,964,108
	<u>6,039,531</u>	<u>10,715</u>	<u>-</u>	<u>2,561,645</u>	<u>3,026,319</u>	<u>1,001,829</u>	<u>494,792</u>	<u>13,134,831</u>
Total liabilities and fund	<u>7,711,347</u>	<u>71,850</u>	<u>900,513</u>	<u>2,562,566</u>	<u>4,653,762</u>	<u>1,001,829</u>	<u>522,973</u>	<u>17,424,840</u>

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

**East Grand School District No. 2**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2020**

Governmental Funds Total Fund Balance 13,134,831

Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 148,598

Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:

Capital assets	63,969,729	
Accumulated depreciation	<u>(33,326,840)</u>	30,642,889

Deferred charges such as bond issuance costs, deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:

Deferred refunding costs	1,957,254	
Premiums and discounts on bonded debt	<u>(1,433,992)</u>	523,262

Long-term liabilities, including bonds payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:

Bond debt and interest coupons	(25,370,000)	
Accrued compensated absences	(564,465)	
Leases payable	(949,826)	
Accrued interest	<u>(98,038)</u>	(26,982,329)

Long-term liabilities, including net pension and post employment health benefits obligations, are not due and payable in the current period and therefore are not reported in the funds. This is the amount of the District's net pension and post employment health benefits liabilities, adjusted for changes in pension and post employment health benefits related actuarial assumptions, proportion of collective pension and post employment health benefits amounts, differences between actual and expected experience and investments earnings, and differences between actual and annualized contributions to the pension and post employment health benefits plans, that are amortized over the average remaining service life of all active and inactive plan participants.

Deferred outflows of resources - pension	3,620,103	
Deferred outflows of resources - post employment health	127,210	
Net pension liability	(23,778,480)	
Post employment health benefits liability	(1,169,193)	
Deferred inflows of resources - pension	(15,498,242)	
Deferred inflows of resources - post employment health benefits	<u>(223,016)</u>	(36,921,618)

Governmental Activities Net Position (19,454,367)

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

**East Grand School District No. 2**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Designated Purpose Grant Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>								
Taxes:								
Property taxes	10,154,870	-	-	2,975,657	-	-	299,576	13,430,103
Specific ownership taxes	966,700	-	-	-	-	-	23,835	990,535
Intergovernmental - State revenue	3,086,004	5,995	255,682	-	468,858	-	101,201	3,917,740
Intergovernmental - Federal revenue	1,153,204	188,414	293,583	-	-	-	-	1,635,201
Interest income	107,270	-	-	-	7,875	-	-	115,145
Other	249,690	201,668	120,637	3,819	-	276,306	355,040	1,207,160
Total revenues	<u>15,717,738</u>	<u>396,077</u>	<u>669,902</u>	<u>2,979,476</u>	<u>476,733</u>	<u>276,306</u>	<u>779,652</u>	<u>21,295,884</u>
<b>EXPENDITURES</b>								
Direct instruction	9,228,953	-	153,416	-	-	-	142,648	9,525,017
Indirect instruction	1,496,332	-	440,005	-	-	-	-	1,936,337
Transportation	382,085	-	-	-	-	-	227,505	609,590
Custodial and maintenance	1,692,018	-	2,250	-	-	-	-	1,694,268
Support services	340,604	-	43,217	-	-	-	498	384,319
General administration	1,740,519	-	-	-	-	-	749	1,741,268
Community service	-	-	31,014	-	-	-	-	31,014
Student activities	-	-	-	-	-	-	595,533	595,533
Food Service	-	451,024	-	-	-	-	-	451,024
Debt service:								
Principal	-	-	-	1,975,000	-	86,278	-	2,061,278
Interest and fiscal charges	-	-	-	867,600	-	45,199	-	912,799
Other	-	-	-	4,137	76,023	-	-	80,160
Capital outlay	-	-	-	-	3,364,391	364,505	-	3,728,896
Total expenditures	<u>14,880,511</u>	<u>451,024</u>	<u>669,902</u>	<u>2,846,737</u>	<u>3,440,414</u>	<u>495,982</u>	<u>966,933</u>	<u>23,751,503</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>837,227</u>	<u>(54,947)</u>	<u>-</u>	<u>132,739</u>	<u>(2,963,681)</u>	<u>(219,676)</u>	<u>(187,281)</u>	<u>(2,455,619)</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Issuance of debt	-	-	-	-	5,990,000	-	-	5,990,000
Transfers in (out)	(850,356)	25,000	-	-	-	473,477	351,879	-
Total other financing sources (uses)	<u>(850,356)</u>	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>5,990,000</u>	<u>473,477</u>	<u>351,879</u>	<u>5,990,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(13,129)	(29,947)	-	132,739	3,026,319	253,801	164,598	3,534,381
<b>FUND BALANCES, BEGINNING-RESTATED</b>	6,052,660	40,662	-	2,428,906	-	748,028	330,194	9,600,450
<b>FUND BALANCES, ENDING</b>	<u>6,039,531</u>	<u>10,715</u>	<u>-</u>	<u>2,561,645</u>	<u>3,026,319</u>	<u>1,001,829</u>	<u>494,792</u>	<u>13,134,831</u>

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

**East Grand School District No. 2**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2020**

Governmental Funds Change in Fund Balances	3,534,381
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	3,438,850
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	2,061,278
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	19,383
Debt proceeds represent an increase in current available resources in the fund financial statements. These proceeds represent an increase in liabilities on the government wide financial statements. This represents the total debt proceeds, including capital leases, issued during the year.	(5,990,000)
Accrued compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year.	(60,232)
Amortization of deferred costs such as premium and discounts and deferred charges from refunding and changes in accrued interest have no impact on current available resources but do change government-wide net position.	99,599
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(1,610,034)
Change in the District's net pension obligation reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension obligation during the year, including differences between District contributions to the pension plan and amortization of pension-related deferrals.	3,609,695
Changes in the District's net post employment health benefits obligation reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in District's net post employment health benefits obligation during the year, including differences between District contributions to the plan and amortization of post employment health benefits related deferrals.	<u>14,442</u>
Governmental Activities Change in Net Position	<u><u>5,117,362</u></u>

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

East Grand School District No. 2

Notes to the Basic Financial Statements



**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**

**I. Summary of Significant Accounting Policies**

The East Grand School District No. 2 (the “District”) was formed in 1893 and is located in Colorado’s central Rocky Mountains. More specifically, the District is located in the eastern portion of Grand County. The District provides services to approximately one thousand three hundred sixty-seven (1,367) students. The District’s mission is *“As a result of our efforts, students will graduate as self-reliant and productive citizens, prepared to pursue the careers of choice through further education and training.”* The District operates the following schools:

<b>Elementary Schools</b>	<b>Middle School</b>	<b>High School</b>
Fraser Valley	East Grand	Middle Park
Elementary	Middle School	High School
Granby Elementary		

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

**A. Reporting Entity**

The District was formed under the laws of the State of Colorado and operates under an elected Board of Education. As required by GAAP, the financial statements of the reporting entity include those of the District and any component units, entities for which the District is considered to be financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based upon the above criteria, the District is not financially accountable for any other organization. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District.

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

**B. Government-wide and Fund Financial Statements**

The District’s basic financial statements include both district-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District’s major funds). For the most part, the effect of interfund activity has been removed from these statements. Both the district-wide and fund financial statements categorize primary activities as governmental. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

**1. District-wide Financial Statements**

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

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

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

**2. Fund Financial Statements**

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

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

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

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

The *Designated Purpose Grant Fund* accounts for all federal, state and local grants, which are restricted as to the type of expenditures for which they may be used.

The *Food Service Fund* accounts for the activities of the District's school lunch programs.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

**2. Fund Financial Statements (continued)**

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

The *Capital Reserve Capital Projects Fund* is used to account for the acquisition of land, construction of new facilities, alterations and improvements to existing structures, and the acquisition of school buses and/or other equipment

The *Building Fund* accounts for all resources available from bond proceeds for acquiring capital sites, buildings, and equipment.

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

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

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

**1. Long-term Economic Focus and Accrual Basis**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

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

**2. Current Financial Focus and Modified Accrual Basis**

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

**3. Financial Statement Presentation**

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

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

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

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

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

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

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**3. Property Taxes**

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

**4. Inventories**

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

**5. Interfund Receivables and Payables**

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

**6. Deferred Charges on Refunding**

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

**7. Capital Assets**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**7. Capital Assets (continued)**

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 35
Vehicles	6 - 7
Equipment	5

**8. Compensated Absences**

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

**9. Interfund Transactions**

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

**10. Pensions**

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

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. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**11. Health Care Trust Fund – Defined Benefit Other Post Employment Benefit Plan (“OPEB”)**

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

**12. Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**E. Significant Accounting Policies**

**1. Use of Estimates**

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

**2. Categories and Classification of Fund Balance**

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

**3. Restricted and Unrestricted Resources**

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

**II. Reconciliation of District-wide and Fund Financial Statements**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability**

**A. Budgetary Information**

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

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2020.

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

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

The District maintains an operating reserve of the general fund unassigned balance amounting to 15% of the District's current fiscal year adopted expenditure budget as a beneficial and sound financial management practice. Additionally, the Board directs the Superintendent or designee to budget an amount as necessary and available each year to the capital reserve account for capital outlay expenditures. The amount transferred from the general fund may be reduced by any money collected from the sale of land, buildings, or both or any payments collected from the dedication of lands or voluntary contributions from a developer.

**B. TABOR Amendment**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**III. Stewardship, Compliance, and Accountability (continued)**

**B. TABOR Amendment (continued)**

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$653,000 of its June 30, 2020 year-end General Fund balance for emergencies as required under TABOR.

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

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

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

**IV. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by the Federal Deposit Insurance Corporation (the "FDIC") or by collateral held under Colorado's Public Deposit Protection Act (the "PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution. Deposit balances over \$250,000 are collateralized as required by PDPA. As of year-end, the carrying amount of the District's cash and investments, including fiduciary funds, was \$15,914,063.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

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

<u>Type:</u>	<u>Standard and Poor's Credit Rating</u>	<u>Carrying Amount</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty cash	Not Rated	\$ 5,577	5,577	-
Checking accounts	Not Rated	801,127	801,127	-
<i>Investments:</i>				
Investment pool	AAAm	12,697,579	12,697,579	-
Money market funds	AAAm	2,409,780	2,409,780	-
		<u>\$ 15,914,063</u>	<u>15,914,063</u>	<u>-</u>

<u>Investments Measured at Net Asset Value</u>	<u>Total</u>
Colotrust	12,697,579

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

<u>Reconciliation to Statement of Net Position:</u>	
Cash and cash equivalents - unrestricted	\$ 806,704
Investments - unrestricted	8,318,093
Investments - restricted	6,789,266
<b>Total</b>	<u>\$ 15,914,063</u>

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

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

*Concentration of Credit Risk.* The District places no limit on the amount that it may invest in any one issuer. More than 5% of the District's investments are in the ColoTrust Investment Pool. These investments represented 80% of the District's total deposits and investments.

**B. Receivables**

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

	<b>General Fund</b>	<b>Food Service Fund</b>	<b>Designated Purpose Grant Fund</b>	<b>Bond Redemption Fund</b>
Receivables:				
Taxes	\$ 519,817	\$ -	\$ -	\$ 152,786
Accounts	90,254	-	8,646	-
Grants receivable	-	37,019	104,030	-
Gross receivables	<u>610,071</u>	<u>37,019</u>	<u>112,676</u>	<u>152,786</u>
Less: allowance for uncollectible	-	-	-	-
<b>Net Receivables</b>	<u><u>\$ 610,071</u></u>	<u><u>\$ 37,019</u></u>	<u><u>\$ 112,676</u></u>	<u><u>\$ 152,786</u></u>

	<b>Building Fund</b>	<b>Capital Reserve Fund</b>	<b>Other Governmental Funds</b>	<b>Total</b>
Receivables:				
Taxes	\$ -	\$ -	\$ 15,310	\$ 687,913
Accounts	273,762	250,578	7,171	630,411
Grants receivable	-	-	-	141,049
Gross receivables	<u>273,762</u>	<u>250,578</u>	<u>22,481</u>	<u>1,459,373</u>
Less: allowance for uncollectible	-	-	-	-
<b>Net Receivables</b>	<u><u>\$ 273,762</u></u>	<u><u>\$ 250,578</u></u>	<u><u>\$ 22,481</u></u>	<u><u>\$ 1,459,373</u></u>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Construction in progress	\$ -	3,261,495	-	3,261,495
Land	524,414	-	-	524,414
Total capital assets, not being depreciated	<u>524,414</u>	<u>3,261,495</u>	<u>-</u>	<u>3,785,909</u>
Capital assets, being depreciated:				
Buildings and improvements	57,250,465	24,585	-	57,275,050
Vehicles	1,852,382	152,770	(61,990)	1,943,162
Equipment	965,608	-	-	965,608
Total capital assets being depreciated	<u>60,068,455</u>	<u>177,355</u>	<u>(61,990)</u>	<u>60,183,820</u>
Total capital assets - Cost	<u>60,592,869</u>	<u>3,438,850</u>	<u>(61,990)</u>	<u>63,969,729</u>
Less: accumulated depreciation for:				
Buildings and improvements	(29,406,900)	(1,414,319)	-	(30,821,219)
Vehicles	(1,576,710)	(89,174)	61,990	(1,603,894)
Equipment	(795,186)	(106,541)	-	(901,727)
Total accumulated depreciation	<u>(31,778,796)</u>	<u>(1,610,034)</u>	<u>61,990</u>	<u>(33,326,840)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 28,814,073</u>	<u>1,828,816</u>	<u>-</u>	<u>30,642,889</u>

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

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
<b>Governmental activities:</b>		
Direct instruction	\$ -	\$ 1,312,491
Indirect instruction	-	4,400
Transportation	152,770	169,514
Custodial and maintenance	3,286,080	17,120
Support services	-	6,179
General administration	-	94,130
Food service	-	6,200
<b>Total governmental activities</b>	<u>\$ 3,438,850</u>	<u>\$ 1,610,034</u>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2020, was as follows:

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ 8,144	\$ -
Food Services Fund	-	7,223
Debt Service Fund	-	921
	\$ 8,144	\$ 8,144

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Transfers for fiscal year 2020 were as follows:

	<b>Transfer In</b>	<b>Transfer (out)</b>
General Fund	\$ -	\$ (850,356)
Capital Reserve Fund	473,477	-
Pupil Activity Fund	306,879	-
Transportation Fund	45,000	-
Food Service Fund	25,000	-
	\$ 850,356	\$ (850,356)

Transfers provide supplemental funds on an as needed basis.

**E. Long-term Debt**

**1. General Obligation Bonds, Series 2007**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**2. General Obligation Refunding Bonds, Series 2012**

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

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

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

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 875,000	4.00%	\$ 172,300	\$ 1,047,300
2022	915,000	4.00%	136,500	1,051,500
2023	945,000	4.00%	99,300	1,044,300
2024	985,000	4.00%	60,700	1,045,700
2025	1,025,000	4.00%	20,500	1,045,500
<b>Totals</b>	<u>\$ 4,745,000</u>		<u>\$ 489,300</u>	<u>\$ 5,234,300</u>

**3. General Obligation Refunding Bonds, Series 2014**

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

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

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

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,180,000	4.00%	\$ 614,700	\$ 1,794,700
2022	1,225,000	4.00%	560,475	1,785,475
2023	1,290,000	4.00%	497,600	1,787,600
2024	1,355,000	5.00%	431,475	1,786,475
2025	1,420,000	5.00%	362,100	1,782,100
2026-2028	8,165,000	4.00-5.00%	498,500	8,663,500
<b>Totals</b>	<b>\$ 14,635,000</b>		<b>\$ 2,964,850</b>	<b>\$ 17,599,850</b>

**4. Certificates of Participation, Series 2020**

On April 15, 2020, Zions Bancorporation, N.A. ("Zions") issued \$5,990,000 of non-taxable Certificates of Participation for the long-term leasehold interest in the Fraser Valley Elementary School facility to meet matching conditions of the BEST act grant. The Certificates of Participation bear fixed interest of 2.210% through 2035, and from 2036-2040, bear variable interest recalculated as the 1 year advance rate as reported by the Federal Home Loan Banks ("FHLB") of Des Moines. Annual principal payments are due the 1<sup>st</sup> of September, and semi-annual interest payments are due the 1<sup>st</sup> of March and September through maturity. Zions will lease the school facility for a period that runs concurrent with the term to maturity of the Series 2020 Certificates of Participation.

The following schedule represents the remaining amounts to be paid under the 2020 issue:

<u>Fiscal Year Ending:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 121,410	\$ 121,410
2022	-	138,316	138,316
2023	-	138,315	138,315
2024	275,000	135,277	410,277
2025	280,000	129,144	409,144
2026-2030	1,495,000	548,977	2,043,977
2031-2035	1,670,000	374,443	2,044,443
2036-2040	1,870,000	169,928 *	1,898,052 *
2041	400,000	5,040 *	400,000 *
<b>Totals</b>	<b>\$ 5,990,000</b>	<b>\$ 1,760,849</b>	<b>\$ 7,603,933</b>

\*Interest payments calculated in the above table from 2036 – 2041 are based on the suggested rate of 2.52% in the Lease Agreement Bond Pricing Schedule. Actual rates are variable based on the 1 year advance rate of the unpaid principal as reported by the FHLB of Des Moines.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**5. Defeased Debt**

At various dates in prior years, the District placed proceeds from refunding bond issues and District cash contributions in irrevocable refunding escrow accounts. These monies, which are invested in U.S. Treasury obligations, together with interest earned thereon, are considered sufficient for payment of all principal and interest on refunded bonds on each remaining payment date. The likelihood of the earnings and principal maturities of the U.S. Treasury obligations not being sufficient to pay the refunded bond issues appears remote. Accordingly, the escrow account and refunded bonds are not included in the District's financial statements. The District has not calculated the amount of defeased debt at June 30, 2020.

**6. Debt Requirements**

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

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

**7. Capital Lease Agreements**

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

Fiscal Year Ended	Principal	Interest	Total
2021	\$ 94,451	\$ 41,181	\$ 135,632
2022	103,196	36,786	139,982
2023	112,548	25,986	138,534
2024	122,543	26,755	149,298
2025	132,823	21,063	153,886
2026-2028	384,265	24,980	409,245
<b>Totals</b>	<b>\$ 949,826</b>	<b>\$ 176,751</b>	<b>\$ 1,126,577</b>

The net book value of the assets acquired through a capital lease at June 30, 2020 is as follows:

Cost	\$ 1,407,401
Less: accumulated depreciation	402,115
<b>Net Book Value</b>	<b>\$ 1,005,286</b>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**8. Schedule of Future Debt Service Payments**

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

<b>Fiscal Year Ending:</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 2,149,451	\$ 949,591	\$ 3,099,042
2022	2,243,196	872,077	3,115,273
2023	2,347,548	761,201	3,108,749
2024	2,737,543	654,207	3,391,750
2025	2,857,823	532,807	3,390,630
2026-2030	10,044,265	1,072,457	11,116,722
2031-2035	1,670,000	374,443	2,044,443
2036-2040	1,870,000	169,928	2,039,928
2041	400,000	5,040	405,040
<b>Totals</b>	<b>\$ 26,319,826</b>	<b>\$ 5,391,750</b>	<b>\$ 31,711,576</b>

**9. Compensated Absences**

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**10. Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2020:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance June 30, 2020</u>	<u>Due in one Year</u>
<b>Governmental Activities:</b>					
General obligation bonds	\$ 21,355,000	-	(1,975,000)	19,380,000	2,055,000
Premium on general obligation bonds	1,769,761	-	(335,769)	1,433,992	367,212
Certificates of Participation	-	5,990,000	-	5,990,000	-
Capital leases	1,036,104	-	(86,278)	949,826	94,451
Net Pension Liability	27,475,647	-	(3,697,167)	23,778,480	-
Post employment health benefits	1,372,241	-	(203,048)	1,169,193	-
Compensated absences	504,233	60,232	-	564,465	-
<b>Total</b>	<u>\$ 53,512,986</u>	<u>6,050,232</u>	<u>(6,297,262)</u>	<u>53,265,956</u>	<u>2,516,663</u>

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

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

*Benefits provided as of December 31, 2019:* 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

*Contribution provisions as of June 30, 2019:* Eligible employees, the District, and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	<b>July 1, 2019 through June 30, 2020</b>
Employer Contribution Rate	10.40%
Amount of the Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED as presented in C.R.S. 24-51-411	5.50%
Total Employer Contribution Rate to the SCHDTF	19.38%

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,876,030 for the year ended June 30, 2020.

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

*Pension Liabilities continued.* At June 30, 2020, the District reported a liability of \$23,778,480 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the District as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the District were as follows:

The District's proportionate share of the net Pension liability	\$	23,778,480
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the District		2,676,516
Total	\$	<u>26,454,996</u>

At December 31, 2019, the District proportion was 0.15916%, as compared to its proportion of 0.15517% measured as of December 31, 2018.

*Pension Expense.* For the year ended June 30, 2020, the District recognized pension revenue of \$3,705,095 and expense of \$95,400 or support from the State as a nonemployer contributing entity.

*Deferred Outflows of Resources and Deferred Inflows of Resources.* At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expenses and actual experience	\$ 1,295,943	\$ -
Changes of assumptions or other inputs	678,836	10,785,693
Net difference between projected and actual earnings on pension plan investments	-	2,816,798
Changes in proportionate share of contributions	678,846	1,895,751
Difference between actual and reported contributions recognized	339	-
Contributions subsequent to measurement date	966,139	-
	<u>\$ 3,620,103</u>	<u>\$ 15,498,242</u>

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

\$966,139, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amortization</u>
2020	\$ (7,194,448)
2021	(4,874,326)
2022	182,688
2023	(958,192)
	<u>\$ (12,844,278)</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% - 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	1.25%
PERA Benefit Structure hired after 12/31/2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- 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 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

- 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 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

*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 net pension liability	\$ 31,535,356	\$ 23,778,480	\$ 17,265,907

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from District were \$92,550 for the year ended June 30, 2020.

*Liabilities.* At June 30, 2020, the District reported a liability for Other Post Employment Benefits (“OPEB”) of the Health Care Trust Fund (“HCTF”) of \$1,169,193 for its proportionate share of net OPEB. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The District’s proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the District proportion was 0.1009%, as compared to its proportion of 0.0977% measured as of December 31, 2018.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

*Expense, Deferred Outflows of Resources and Deferred Inflows of Resources.* For the year ended June 30, 2020, the District recognized other post employment benefit expense (revenue) of \$(14,442). At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expenses and actual experience	\$ 3,880	\$ 196,468
Changes of assumptions or other inputs	9,700	-
Net difference between projected and actual earnings on OPEB plan investments	-	19,515
Changes in proportionate share of contributions	62,781	7,033
Contributions subsequent to measurement date	50,849	-
	\$ 127,210	\$ 223,016

\$50,849, 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year Ended June 30,</b>	<b>Amortization</b>
2021	\$ (29,982)
2022	(29,980)
2023	(24,330)
2024	(29,678)
2025	(30,818)
Thereafter	(1,867)
	\$ (146,655)

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment Rate of Return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA Benefit Structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	5.6% in 2019, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 2019, gradually rising to 4.50% in 2029
DPS Benefit Structure:	
Service based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, valuation 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

<u>Medicare Plan</u>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured	\$ 601	\$ 240
Prescription		
Kaiser Permanente Medicare	605	237

The 2019 Medicare Part A premium is \$437 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:

<u>Medicare Plan</u>	<b>Cost for Members Without Medicare Part A</b>
Medicare Advantage/Self-Insured	\$ 562
Prescription	
Kaiser Permanente Medicare	
Advantage HMO	571

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, 2018, 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

Year Ending	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029 and after	4.50%	4.50%

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

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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:

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

*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:

	<u>1% Decrease</u>	<u>Current Trend Rates</u>	<u>1% Increase</u>
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Collective Net OPEB Liability	\$ 1,097,298,000	\$ 1,123,998,000	\$ 1,154,852,000
Proportionate Share of Net OPEB Liability	\$ 1,106,733	\$ 1,169,193	\$ 1,164,782

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

*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, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- 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.
- 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.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of net pension liability	\$ 1,281,834	\$ 1,169,193	\$ 1,006,946

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

**H. Fund Balances**

The District classifies governmental fund balances as follows:

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

Spendable Fund Balances:

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

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

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**IV. Detailed Notes on All Funds (continued)**

**H. Fund Balances (continued)**

The District's policy is for restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The District governmental funds had the following equity designations at June 30, 2020:

	<u>Balance</u>	<u>Reason</u>
Non-spendable:		
General Fund	\$ 33,574	Prepaid expenditures
Food Service Fund	6,078	Inventory
Pupil Activity Fund	3,608	Officials pay
Restricted:		
General Fund	653,000	TABOR
Debt Service Fund	2,561,645	Debt service
Committed:		
General Fund	300,000	Technology projects
Food Service Fund	4,637	Food services
Pupil Activity Fund	224,908	Student activities
Transportation	266,276	Transportation services
Building	3,026,319	Building improve
Capital Reserve	1,001,829	Capital projects
Assigned:		
General Fund	47,275	Insurance costs
General Fund	41,574	Technology equipment
	<u>\$ 8,170,723</u>	

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

**V. Other Information**

**A. Defined Contribution Pension Plan**

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**V. Other Information (continued)**

**A. Defined Contribution Pension Plan (continued)**

*Funding Policy.* Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the year ended June 30, 2020.

**B. Contingencies**

**1. General Legal Matters**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District feels none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2020.

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance on ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2020.

**3. State Programs**

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. Management does not feel that any potential adjustments would be material and that they would affect the fairness of presentation of the financial statements at June 30, 2020.

**C. Jointly Governed Organization - BOCES**

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

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

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**V. Other Information (continued)**

**C. Jointly Governed Organization – BOCES (continued)**

The BOCES has issued its own audited financial statements for the year ended June 30, 2020, the latest available data.

The following summary information is presented:

Assets and Deferred Outflows	\$ 1,655,726
Liabilities and Deferred inflows	<u>(9,175,483)</u>
Net Position (Deficit)	<u>\$ (7,519,757)</u>
Expenses	\$ (2,425,119)
Program Revenues	3,990,358
General Revenues	<u>424</u>
Change in Net Position	<u>1,565,663</u>
Net Position-Beginning	<u>(9,085,420)</u>
Net Position-Ending	<u>\$ (7,519,757)</u>

For the years ended June 30, 2020 and 2019, the District made operating contributions of \$74,552 and \$65,081, respectively.

**D. Mill Levy Override Approval**

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

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

**E. Colorado Department of Education Financing**

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district. The District did not utilize this financing in 2019 or 2020.

**East Grand School District No. 2**  
**Notes to the Financial Statements**  
**June 30, 2020**  
**(Continued)**

**V. Other Information (continued)**

**I. Risk Management**

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

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

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

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

**J. Restatement of Pupil Activity Fund**

In 2020, the District implemented the Governmental Accounting Standards Board Statement No. 84 ("GASB 84"), *Fiduciary Activities*, which establishes criteria for identifying fiduciary activities for state and local governments. The District previously reported the some of its pupil activities in the Pupil Activity Agency Fund, a fiduciary fund. After implementation of GASB 84, the District has restated the Pupil Activity Agency Fund as a special revenue fund, combined with activities already included in the special revenue fund. Accordingly, the special revenue fund reports a restated beginning fund balance of \$311,326, which includes a restatement of \$248,219, equal to the restatement of net current assets and current liabilities previous reported in the agency fund. All remaining assets and liabilities, if any, previously reported in the agency fund are not recognized at the fund level under the modified accrual basis of accounting, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2019.

**K. Subsequent Event – COVID-19**

The spread of COVID-19 may have operational, economic, and financial impacts on the District. The significance and duration of the potential impacts cannot be reasonably estimated at this time.

East Grand School District No. 2

Required Supplementary Information



**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**General Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes:					
Property taxes	8,957,321	10,146,735	10,154,870	8,135	8,672,105
Specific ownership taxes	748,391	816,053	966,700	150,647	924,517
Intergovernmental - State revenue	4,123,839	2,870,791	2,857,571	(13,220)	3,751,359
Intergovernmental - Federal revenue	390,000	1,140,000	1,153,204	13,204	1,071,326
Interest income	95,000	110,000	107,270	(2,730)	146,681
Other	208,662	206,662	249,690	43,028	351,237
Total revenues	<u>14,523,213</u>	<u>15,290,241</u>	<u>15,489,305</u>	<u>199,064</u>	<u>14,917,225</u>
<b>EXPENDITURES</b>					
Direct instruction	9,291,670	9,361,346	9,074,691	286,655	8,343,565
Indirect instruction	1,462,257	1,481,878	1,469,342	12,536	1,345,252
Transportation	137,802	149,401	375,067	(225,666)	162,385
Custodial and maintenance	1,862,300	1,820,903	1,679,262	141,641	1,709,737
Support services	345,007	360,357	337,138	23,219	319,683
General administration	1,793,801	1,794,156	1,716,578	77,578	1,726,466
Total expenditures	<u>14,892,837</u>	<u>14,968,041</u>	<u>14,652,078</u>	<u>315,963</u>	<u>13,607,088</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(369,624)	322,200	837,227	515,027	1,310,137
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	(986,149)	(1,131,752)	(850,356)	281,396	(871,784)
Total other financing sources (uses)	<u>(986,149)</u>	<u>(1,131,752)</u>	<u>(850,356)</u>	<u>281,396</u>	<u>(871,784)</u>
<b>NET CHANGE IN FUND BALANCES - BUDGET BASIS</b>	(1,355,773)	(809,552)	(13,129)	796,423	438,353
<b>FUNDS BALANCES, BEGINNING - BUDGET BASIS</b>	5,777,930	6,020,760	6,052,660	31,900	5,614,307
<b>FUND BALANCES, ENDING - BUDGET BASIS</b>	<u>4,422,157</u>	<u>5,211,208</u>	6,039,531	<u>828,323</u>	6,052,660
<b>RECONCILIATION TO GAAP BASIS:</b>					
<b>Adjustments:</b>					
Pension direct distribution - Special funding			228,433		223,135
Pension expense - Special funding			<u>(228,433)</u>		<u>(223,135)</u>
<b>FUND BALANCES, ENDING - GAAP BASIS</b>			<u>6,039,531</u>		<u>6,052,660</u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Net**  
**Assets - Budget and Actual (GAAP Basis)**  
**Food Service Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Food and ala carte sales	256,500	199,300	201,668	2,368	269,637
Federal revenue:					
Federal government meal reimbursement	168,000	155,431	166,347	10,916	173,459
USDA commodity contribution	20,000	20,000	22,067	2,067	20,199
State reimbursement	5,750	5,964	5,995	31	4,141
Total revenues	<u>450,250</u>	<u>380,695</u>	<u>396,077</u>	<u>15,382</u>	<u>467,436</u>
<b>EXPENDITURES</b>					
Salaries and employee benefits	250,334	262,001	229,525	32,476	245,178
Supplies	10,500	9,400	9,499	(99)	8,753
Food costs:					
Purchased food	184,000	175,685	180,105	(4,420)	198,427
Donated commodities	20,500	20,500	22,067	(1,567)	20,199
Other	14,000	9,000	9,829	(829)	7,386
Total expenses	<u>479,334</u>	<u>476,586</u>	<u>451,025</u>	<u>25,561</u>	<u>479,943</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(29,084)	(95,891)	(54,948)	40,943	(12,507)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	25,000	65,000	25,000	(40,000)	20,000
Total other financing sources (uses)	<u>25,000</u>	<u>65,000</u>	<u>25,000</u>	<u>(40,000)</u>	<u>20,000</u>
<b>CHANGE IN NET POSITION</b>	(4,084)	(30,891)	(29,948)	943	7,493
<b>FUND BALANCE, BEGINNING</b>	<u>24,019</u>	<u>40,661</u>	<u>40,663</u>	<u>2</u>	<u>33,170</u>
<b>FUND BALANCE, ENDING</b>	<u><u>19,935</u></u>	<u><u>9,770</u></u>	<u><u>10,715</u></u>	<u><u>945</u></u>	<u><u>40,663</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Designated Purpose Grants Fund - Special Revenue**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Intergovernmental revenue:					
Federal revenue	199,149	306,391	293,583	(12,808)	232,102
State revenue	218,530	299,162	255,682	(43,480)	246,186
Local revenue	114,631	165,079	120,637	(44,442)	135,118
Total revenues	532,310	770,632	669,902	(100,730)	613,406
<b>EXPENDITURES</b>					
Direct instruction	146,200	144,904	153,416	(8,512)	211,763
Indirect instruction	331,936	536,554	440,005	96,549	352,506
Custodial and maintenance	-	-	2,250	(2,250)	-
Support services	54,174	54,174	43,217	10,957	49,137
Community service	-	35,000	31,014	3,986	-
Total expenditures	532,310	770,632	669,902	100,730	613,406
<b>NET CHANGE IN FUND BALANCES</b>	-	-	-	-	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-	-
<b>FUND BALANCES, ENDING</b>	-	-	-	-	-

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

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

Measurement date - December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's portion of the net pension liability	0.1592%	0.1552%	0.1720%	0.1738%	0.1738%	0.1768%	0.1831%
District's proportionate share of the net pension liability	23,778,480	27,475,647	55,613,857	51,759,537	26,574,063	23,967,042	23,353,686
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	2,676,516	3,305,000	-	-	-	-	-
Total proportionate share of the net pension liability associated with the District	<u>26,454,996</u>	<u>30,780,647</u>	<u>55,613,857</u>	<u>51,759,537</u>	<u>26,574,063</u>	<u>23,967,042</u>	<u>23,353,686</u>
District's covered payroll	9,353,125	8,530,403	7,935,365	7,802,346	7,572,051	7,408,101	7,381,132
District's proportionate share of the net pension liability as a percentage of its covered payroll	254%	322%	701%	630%	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	64.52%	57.01%	43.10%	43.10%	59.20%	62.84%	64.07%

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

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

Fiscal year-ended June 30,	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Contractually required contribution</b>	1,876,030	1,708,617	1,543,643	1,442,399	1,356,920	1,276,492	1,143,574
<b>Contributions in relation to the contractually required contribution</b>	<u>(1,876,030)</u>	<u>(1,708,617)</u>	<u>(1,543,643)</u>	<u>(1,442,399)</u>	<u>(1,356,920)</u>	<u>(1,276,492)</u>	<u>(1,143,574)</u>
<b>Contribution deficiency (excess)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>District's covered payroll</b>	9,680,232	8,931,602	8,171,541	7,831,633	7,646,095	7,555,234	6,726,906
<b>Contributions as a percentage of covered payroll</b>	19.38%	19.13%	18.89%	18.42%	17.75%	16.90%	17.00%

\* Information is only available beginning in fiscal year 2014.

**East Grand School District No. 2**  
**Schedule of the District's Proportionate Share of the OPEB Liability**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

Measurement date - December 31,	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
District's portion of the net OPEB liability	0.1040%	0.1009%	0.0977%	0.0988%
District's proportionate share of the net OPEB liability	1,169,193	1,372,241	1,281,156	1,281,156
District's covered payroll	9,353,125	8,530,403	7,935,365	7,802,346
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	13%	16%	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	24.49%	17.03%	17.53%	16.72%

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

**East Grand School District No. 2**  
**Schedule of District OPEB Contributions**  
**Colorado Public Employees' Retirement Association Health Care Trust Fund**  
**Last 10 Fiscal Years \***

<b>As of the fiscal year-ended June 30,</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
<b>Contractually required contribution</b>	98,738	91,102	83,350	78,316
<b>Contributions in relation to the contractually required contribution</b>	<u>(98,738)</u>	<u>(91,102)</u>	<u>(83,350)</u>	<u>(78,316)</u>
<b>Contribution deficiency (excess)</b>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
<b>District's covered payroll</b>	9,680,232	8,931,602	8,171,541	7,831,633
<b>Contributions as a percentage of covered payroll</b>	1.02%	1.02%	1.02%	1.00%

\* Information is only available beginning in fiscal year 2017.

**East Grand School District No. 2**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**

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

**A. Changes to assumptions or other inputs**

**1. Changes since the December 31, 2018 Actuarial Valuation are as Follows:**

- The assumption used to value the AI cap benefit provision was changed from 1.50 percent to 1.25 percent.

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

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

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

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

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

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

**East Grand School District No. 2**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**  
**(continued)**

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

**A. Changes to assumptions or other inputs (continued)**

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

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

**B. Changes of benefit terms.**

No changes during the years presented above.

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

No changes during the years presented above.

**II. Notes to the Schedule of District Pension Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented above.

**B. Changes of benefit terms.**

No changes during the years presented above.

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

No changes during the years presented above.

**East Grand School District No. 2**  
**Notes to the Required Supplementary Information**  
**June 30, 2020**  
**(continued)**

**III. Schedule of the District's Proportionate Share of the OPEB Liability**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit term**

No changes during the years presented.

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

No changes during the years presented.

**IV. Notes to the Schedule of District OPEB Contributions**

**A. Changes to assumptions or other inputs**

No changes during the years presented.

**B. Changes of benefit terms.**

No changes during the years presented.

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

No changes during the years presented.

East Grand School District No. 2

Supplementary Information



**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Bond Redemption Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property taxes	2,890,833	2,976,502	2,975,657	(845)	2,769,055
Other revenue	2,000	2,000	3,819	1,819	5,715
Total revenues	<u>2,892,833</u>	<u>2,978,502</u>	<u>2,979,476</u>	<u>974</u>	<u>2,774,770</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	1,975,000	1,975,000	1,975,000	-	1,905,000
Interest	867,600	867,600	867,600	-	945,200
Fiscal charges	4,500	5,500	4,137	1,363	4,805
Total expenditures	<u>2,847,100</u>	<u>2,848,100</u>	<u>2,846,737</u>	<u>1,363</u>	<u>2,855,005</u>
<b>NET CHANGE IN FUND BALANCES</b>	45,733	130,402	132,739	2,337	(80,235)
<b>FUND BALANCES, BEGINNING</b>	<u>2,408,710</u>	<u>2,428,906</u>	<u>2,428,906</u>	<u>-</u>	<u>2,509,141</u>
<b>FUND BALANCES, ENDING</b>	<u><u>2,454,443</u></u>	<u><u>2,559,308</u></u>	<u><u>2,561,645</u></u>	<u><u>2,337</u></u>	<u><u>2,428,906</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Building Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
State revenue	-	2,185,142	468,858	(1,716,284)	-
Other local revenue	-	-	7,875	7,875	-
Total revenues	-	2,185,142	476,733	(1,708,409)	-
<b>EXPENDITURES</b>					
Facilities improvements and repairs	-	5,974,925	3,364,391	2,610,534	-
Debt service:					
Other	-	76,023	76,023	-	-
Total expenditures	-	6,050,948	3,440,414	2,610,534	-
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	-	(3,865,806)	(2,963,681)	902,125	-
<b>OTHER FINANCING SOURCES (USES)</b>					
Issuance of debt	-	5,990,000	5,990,000	-	-
Total other financing sources (uses)	-	5,990,000	5,990,000	-	-
<b>NET CHANGE IN FUND BALANCES</b>	-	2,124,194	3,026,319	902,125	-
<b>FUND BALANCES, BEGINNING</b>	-	-	-	-	-
<b>FUND BALANCES, ENDING</b>	-	2,124,194	3,026,319	902,125	-

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Capital Reserve Fund - Capital Projects**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Other local revenue	50,000	152,592	276,306	123,714	417,925
Total revenues	<u>50,000</u>	<u>152,592</u>	<u>276,306</u>	<u>123,714</u>	<u>417,925</u>
<b>EXPENDITURES</b>					
Facilities improvements and repairs	395,000	497,000	364,505	132,495	320,148
Debt service:					
Principal	86,278	86,278	86,278	-	85,454
Interest and fiscal charges	45,199	45,199	45,199	-	48,890
Total expenditures	<u>526,477</u>	<u>628,477</u>	<u>495,982</u>	<u>132,495</u>	<u>454,492</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	(476,477)	(475,885)	(219,676)	256,209	(36,567)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from capital lease	-	7,785,428	-	(7,785,428)	-
Transfers in (out)	526,477	628,477	473,477	(155,000)	436,000
Total other financing sources (uses)	<u>526,477</u>	<u>8,413,905</u>	<u>473,477</u>	<u>(7,940,428)</u>	<u>436,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	50,000	7,938,020	253,801	(7,684,219)	399,433
<b>FUND BALANCES, BEGINNING</b>	<u>658,300</u>	<u>748,028</u>	<u>748,028</u>	<u>-</u>	<u>348,595</u>
<b>FUND BALANCES, ENDING</b>	<u><u>708,300</u></u>	<u><u>8,686,048</u></u>	<u><u>1,001,829</u></u>	<u><u>(7,684,219)</u></u>	<u><u>748,028</u></u>

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

**East Grand School District No. 2**  
**Combining Balance Sheet**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>Special Revenue</u>		<b>Total Non-major Governmental Funds</b>
	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	
<b>ASSETS</b>			
Cash and cash equivalents-Unrestricted	236,788	36,598	273,386
Investments-Unrestricted	-	223,498	223,498
Accounts, taxes, and interest receivable	-	22,481	22,481
Prepaid expenses	3,608	-	3,608
	<u>240,396</u>	<u>282,577</u>	<u>522,973</u>
Total assets	<u>240,396</u>	<u>282,577</u>	<u>522,973</u>
<b>LIABILITIES</b>			
Accounts payable	129	-	129
Accrued compensation	11,751	16,301	28,052
	<u>11,880</u>	<u>16,301</u>	<u>28,181</u>
Total liabilities	<u>11,880</u>	<u>16,301</u>	<u>28,181</u>
<b>FUND BALANCES</b>			
Non-spendable	3,608	-	3,608
Spendable:			
Committed	224,908	266,276	491,184
	<u>228,516</u>	<u>266,276</u>	<u>494,792</u>
Total fund balances	<u>228,516</u>	<u>266,276</u>	<u>494,792</u>
Total liabilities and fund balances	<u>240,396</u>	<u>282,577</u>	<u>522,973</u>

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

**East Grand School District No. 2**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-major Governmental Funds**  
**For the Year Ended June 30, 2020**

	<u>Special Revenue</u>		<b>Total Non-major Governmental Funds</b>
	<b>Pupil Activity Fund</b>	<b>Transportation Fund</b>	
<b>REVENUES</b>			
Taxes:			
Property taxes	-	299,576	299,576
Specific ownership taxes	-	23,835	23,835
Intergovernmental revenue:			
State revenue	-	101,201	101,201
Other revenue	348,990	6,050	355,040
	<u>348,990</u>	<u>6,050</u>	<u>355,040</u>
Total revenues	<u>348,990</u>	<u>430,662</u>	<u>779,652</u>
<b>EXPENDITURES</b>			
Direct instruction	142,648	-	142,648
Transportation	-	227,505	227,505
Support services	498	-	498
General administration	-	749	749
Student activities	595,533	-	595,533
	<u>595,533</u>	<u>-</u>	<u>595,533</u>
Total expenditures	<u>738,679</u>	<u>228,254</u>	<u>966,933</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(389,689)</u>	<u>202,408</u>	<u>(187,281)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	306,879	45,000	351,879
	<u>306,879</u>	<u>45,000</u>	<u>351,879</u>
Total other financing sources (uses)	<u>306,879</u>	<u>45,000</u>	<u>351,879</u>
<b>NET CHANGE IN FUND BALANCES</b>	(82,810)	247,408	164,598
<b>FUND BALANCES, BEGINNING-RESTATED</b>	<u>311,326</u>	<u>18,868</u>	<u>330,194</u>
<b>FUND BALANCES, ENDING</b>	<u><u>228,516</u></u>	<u><u>266,276</u></u>	<u><u>494,792</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Pupil Activity Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	<u>2020</u>			<b>Variance with Final Budget- Positive (Negative)</b>	<u>2019</u>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>		<b>Actual Amounts</b>
	<u>Original</u>	<u>Final</u>			
<b>REVENUES</b>					
Other revenue	78,090	405,090	348,990	(56,100)	80,717
Total revenues	<u>78,090</u>	<u>405,090</u>	<u>348,990</u>	<u>(56,100)</u>	<u>80,717</u>
<b>EXPENDITURES</b>					
Direct instruction	22,000	194,000	142,648	51,352	21,585
Support services	-	-	498	(498)	-
Student activities	511,046	664,049	595,533	68,516	482,846
Total expenditures	<u>533,046</u>	<u>858,049</u>	<u>738,679</u>	<u>119,370</u>	<u>504,431</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(454,956)</u>	<u>(452,959)</u>	<u>(389,689)</u>	<u>63,270</u>	<u>(423,714)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in (out)	434,672	686,492	306,879	(379,613)	415,784
Total other financing sources (uses)	<u>434,672</u>	<u>686,492</u>	<u>306,879</u>	<u>(379,613)</u>	<u>415,784</u>
<b>NET CHANGE IN FUND BALANCES</b>	(20,284)	233,533	(82,810)	(316,343)	(7,930)
<b>FUND BALANCES, BEGINNING-RESTATED</b>	<u>63,179</u>	<u>52,369</u>	<u>311,326</u>	<u>258,957</u>	<u>71,037</u>
<b>FUND BALANCES, ENDING</b>	<u><u>42,895</u></u>	<u><u>285,902</u></u>	<u><u>228,516</u></u>	<u><u>(57,386)</u></u>	<u><u>63,107</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**Transportation Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Taxes:					
Property taxes	349,951	299,415	299,576	161	300,539
Specific ownership taxes	20,000	25,000	23,835	(1,165)	23,256
Intergovernmental revenue:					
State revenue	105,000	97,000	101,201	4,201	103,698
Other revenue	13,500	13,500	6,050	(7,450)	14,428
Total revenues	<u>488,451</u>	<u>434,915</u>	<u>430,662</u>	<u>(4,253)</u>	<u>441,921</u>
<b>EXPENDITURES</b>					
Transportation	482,594	491,646	227,505	264,141	438,190
General administration	800	800	749	51	751
Capital outlay	6,100	5,800	-	5,800	2,505
Total expenditures	<u>489,494</u>	<u>498,246</u>	<u>228,254</u>	<u>269,992</u>	<u>441,446</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(1,043)</u>	<u>(63,331)</u>	<u>202,408</u>	<u>265,739</u>	<u>475</u>
<b>OTHER FINANCING SOURCES</b>					
Operating transfers in	-	45,000	45,000	-	-
Total other financing sources	<u>-</u>	<u>45,000</u>	<u>45,000</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1,043)</u>	<u>(18,331)</u>	<u>247,408</u>	<u>265,739</u>	<u>475</u>
<b>FUND BALANCES, BEGINNING</b>	<u>3,283</u>	<u>18,868</u>	<u>18,868</u>	<u>-</u>	<u>18,393</u>
<b>FUND BALANCES (DEFICIT), ENDING</b>	<u><u>2,240</u></u>	<u><u>537</u></u>	<u><u>266,276</u></u>	<u><u>265,739</u></u>	<u><u>18,868</u></u>

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fiduciary**  
**Assets and Liabilities - Budget and Actual (GAAP Basis)**  
**Student Activity Agency Fund**  
**For the Year Ended June 30, 2020**  
**(With Comparative Actual Amounts for 2019)**

	2020			Variance with Final Budget- Positive (Negative)	2019
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>ADDITIONS</b>					
Programs	327,000	(248,217)	-	248,217	319,001
Total additions	327,000	(248,217)	-	248,217	319,001
<b>DEDUCTIONS</b>					
Programs	327,000	-	-	-	296,392
Total deductions	327,000	-	-	-	296,392
<b>CHANGE IN FIDUCIARY ASSETS AND LIABILITIES</b>	-	(248,217)	-	248,217	22,609
<b>DUE TO STUDENT ACTIVITIES, BEGINNING (RESTATED)</b>	291,137	248,217	-	(248,217)	225,609
<b>DUE TO STUDENT ACTIVITIES, ENDING</b>	291,137	-	-	-	248,218

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

**East Grand School District No. 2**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Schedule of Combined General Fund**  
**For the Year Ended June 30, 2020**

<b>REVENUES</b>	<b>District General Fund</b>	<b>Insurance Reserve Fund</b>	<b>Total</b>
Property taxes	10,154,870	-	10,154,870
Specific ownership taxes	966,700	-	966,700
Intergovernmental - State revenue	3,086,004	-	3,086,004
Intergovernmental - Federal revenue	1,228,378	-	1,228,378
Interest income	107,270	-	107,270
Other	174,516	-	174,516
Total revenues	<u>15,717,738</u>	<u>-</u>	<u>15,717,738</u>
<b>EXPENDITURES</b>			
Direct instruction	9,228,953	-	9,228,953
Indirect instruction	1,496,332	-	1,496,332
Transportation	348,137	33,948	382,085
Custodial and maintenance	1,635,559	56,459	1,692,018
Support services	189,290	151,314	340,604
General administration	1,740,519	-	1,740,519
Total expenditures	<u>14,638,790</u>	<u>241,721</u>	<u>14,880,511</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,078,948</u>	<u>(241,721)</u>	<u>837,227</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in (out)	<u>(1,080,356)</u>	<u>230,000</u>	<u>(850,356)</u>
Total other financing sources (uses)	<u>(1,080,356)</u>	<u>230,000</u>	<u>(850,356)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(1,408)	(11,721)	(13,129)
<b>FUNDS BALANCES, BEGINNING</b>	<u>5,993,664</u>	<u>58,996</u>	<u>6,052,660</u>
<b>FUND BALANCES, ENDING</b>	<u>5,992,256</u>	<u>47,275</u>	<u>6,039,531</u>

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

**East Grand School District No. 2**  
**Schedule of Capital Assets Used in the Operation of Governmental Funds**  
**Comparative Schedule**  
**June 30, 2020 and 2019**

	<b>2020</b>	<b>2019</b>
<b>Governmental funds capital assets:</b>		
Land	524,414	524,414
Buildings and improvements	57,275,050	57,250,465
Equipment	965,608	965,608
Vehicles	1,943,162	1,852,382
Construction in progress	3,261,495	-
Total governmental funds capital assets	63,969,729	60,592,869

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



**Colorado Department of  
Education**

**Auditors Integrity Report**  
District: 1350 - East Grand 2  
Fiscal Year 2019-20  
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	5,993,664	14,637,382	14,638,789	5,992,257
18 Risk Mgmt Sub-Fund of General Fund	58,996	230,000	241,721	47,275
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>6,052,660</b>	<b>14,867,382</b>	<b>14,880,510</b>	<b>6,039,531</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
07 Total Program Reserve Fund	0	0	0	0
21 Food Service Spec Revenue Fund	40,662	421,077	451,024	10,715
22 Govt Designated-Purpose Grants Fund	0	669,901	669,901	0
23 Pupil Activity Special Revenue Fund	311,326	655,870	738,679	228,517
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	18,868	475,662	228,254	266,276
31 Bond Redemption Fund	2,428,906	2,979,476	2,846,737	2,561,645
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	6,466,733	3,440,414	3,026,319
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	748,028	749,783	495,983	1,001,829
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>9,600,450</b>	<b>27,285,884</b>	<b>23,751,502</b>	<b>13,134,833</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>

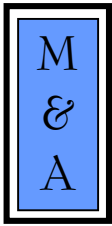
FINAL

\*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.  
12/15/20 11:59 AM

East Grand School District No. 2

Reports and Schedules for Reporting Requirements  
of Uniform Guidance





# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, AVON, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

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

### **Independent Auditor's Report**

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of East Grand School District No. 2 (the "District") as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 16, 2020.

#### ***Internal Control Over Financial Reporting***

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

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

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

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

AVON: (970) 845-8800  
ASPEN: (970) 544-3996  
FRISCO: (970) 668-3481

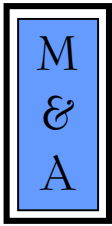
**Compliance and Other Matters**

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

**Purpose of this Report**

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

*McMahan and Associates, L.L.C.*  
**McMahan and Associates, L.L.C.**  
**December 16, 2020**



# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

CHAPEL SQUARE, BLDG C  
245 CHAPEL PLACE, SUITE 300  
P.O. Box 5850, Avon, CO 81620

WEB SITE: WWW.MCMAHANCPA.COM  
MAIN OFFICE: (970) 845-8800  
FACSIMILE: (970) 845-8108  
E-MAIL: MCMAHAN@MCMAHANCPA.COM

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

### Independent Auditor's Report

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

#### ***Report on Compliance for Each Major Program***

We have audited the East Grand School District No. 2's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

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

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

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

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

#### ***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

*Member: American Institute of Certified Public Accountants*

PAUL J. BACKES, CPA, CGMA  
MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

Avon: (970) 845-8800  
Aspen: (970) 544-3996  
Frisco: (970) 668-3481

***Report on Internal Control Over Compliance***

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

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

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

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

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**December 16, 2020**

**East Grand School District No. 2, Colorado**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**

**Part I: Summary of Auditor's Results**

*Financial Statements*

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

*Federal Awards*

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

**Part II: Findings Related to Financial Statements**

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

**Part III: Findings Related to Federal Awards**

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

**East Grand School District No. 2**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2020**  
**(Continued)**

**Note:** There were no findings for the fiscal year ended June 30, 2019.

**East Grand School District  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2020**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Project Code</u>	<u>Expenditures</u>
<b>United States Department of Education</b>			
Rural Education Achievement Program	84.358	4358	\$ 20,046
<b>Passed through Colorado Department of Education:</b>			
Title I Grant to Local Educational Agencies	84.010	4010	116,633
Title II Part A Supporting Effective Instruction	84.367	4367	15,910
Elementary and Secondary School Emergency Relief Fund	84.425	4425	94,148
Title IV-A Student Support and Academic Enrichment	84.424	4424	10,491
School Climate Transformation	84.184	8174	9,882
<b>Total Passed through Colorado Department of Education</b>			<u>247,064</u>
<b>Total United States Department of Education</b>			<u>267,110</u>
<b>United States Treasury</b>			
<b>Passed through Colorado Department of Education:</b>			
Coronavirus Relief Fund	21.019	4012	4,344
<b>Total United States Treasury</b>			<u>4,344</u>
<b>United States Department of Agriculture:</b>			
<b>Passed through Colorado Department of Education:</b>			
School Breakfast Program	10.553	4553	29,506 <b>A</b>
National School Lunch Program	10.555	4555	79,288 <b>A</b>
National School Lunch Program-COVID-19	10.555	4555	57,554 <b>A</b>
Total National School Lunch Program			<u>136,842</u>
<b>Passed through Colorado Department of Human Services:</b>			
Food Distribution Commodities	10.555	4555	22,067 <b>A</b>
<b>Passed through Grand County:</b>			
School and Roads - Grants to States	10.665	7665	1,153,204 <b>B</b>
<b>Total United States Department of Agriculture</b>			<u>1,341,619</u>
<b>Total Federal Expenditures</b>			<u>\$ 1,613,073</u>

**Additional Information for Clusters:**

<b>A</b> - Child Nutrition Cluster	\$ 188,415
<b>B</b> - Forest Service Schools and Roads Cluster	1,153,204

**Notes to the Schedule of Expenditures of Federal Awards for the Year Ended June 30, 2020**

**Note 1. Basis of Presentation:**

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

**Note 2. Determining the Value of Non-Cash Awards Expended:**

Food Commodities are valued at the assessed value provided by the federal agency at the time of receipt.

**Note 3. Sub recipients:**

East Grand School District did not provide any federal awards received to sub recipients.

**Note 4. Indirect Facilities and Administration costs:**

The District does not opt to use the 10% de minimis cost rate allowed in 200.414, *Indirect (F&A) Costs, of Uniform Guidance*.