

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

Year Ended June 30, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Board of Education  
El Paso County School District No. 14

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the El Paso County School District No. 14, as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note 1 to the financial statements, effective July 1, 2017, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 14's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Hoelting & Company, P.C.*

Colorado Springs, Colorado  
December 21, 2018

**EL PASO COUNTY SCHOOL DISTRICT #14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR FISCAL YEAR ENDED JUNE 30, 2018**

As management of El Paso County School District #14 (the District) we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- ◆ With the allocation of PERA's unfunded liability to the District per GASB 68, the District has a total net position of \$(33,316,074). This negative ending net position is directly related to the \$64,097,011 net pension and OPEB liabilities. Because the PERA unfunded liability so greatly skews net position of the district wide statements, the General Fund tends to provide a more accurate picture of financial results. At June 30, 2018, the General Fund reported an ending fund balance of \$3,631,851, which was 25.7% of total expenditures for the year. Unassigned fund balance was \$3,085,727, which may be used to meet the District's ongoing obligations.
- ◆ The largest operational portion of the District's net position is its \$9,331,652 investment in capital assets (equipment and facilities) net of accumulated depreciation and related debt.
- ◆ The District's debt from a Series 2011 General Obligation Bond totals \$2,145,000; this is scheduled to be paid off in the year 2020.
- ◆ Restricted Net Position of the District include \$976,903 for debt service obligations, and \$458,000 required by TABOR, the emergency contingency required by Article X, Section 20 of the Colorado Constitution.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the District's basic financial statements. Included in this review is a comparison to the previous year's activity for government-wide data.

The District's basic financial statements consist of three components: (1) district-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and 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 as a whole, in a manner similar to a private-sector business and include two statements:

- 1) 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.
- 2) The statement of activities presents information reporting 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 result in cash flows in future fiscal periods. Earned but unused vacation leave and accrued interest expense are examples of these types of items.

### ***Fund Financial Statements***

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the District's operations, focusing on its most significant funds, not the District as a whole. The District has two kinds of funds: governmental funds and fiduciary funds.

**Governmental Funds:** All of the District's basic services are included in governmental funds, which focus on (1) how money flows into and out of those funds and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the District's programs.

The District maintains six individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balance for the general fund and the bond redemption fund, which are considered major funds. Data from the additional governmental funds, the food service, designated purpose grants, activities, and capital projects fund, are combined into a single, aggregated presentation in the form of combining statements elsewhere in the report.

**Fiduciary funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. The District maintains one fiduciary fund, the agency fund, which accounts for funds raised through school fundraisers, donations, scholarships, and mini-grants. Fiduciary funds are not reported in the district-wide financial statements, because the resources of those funds are not available for the support of the District's own programs.

### ***Notes to the Basic Financial Statements***

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements.

### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriated budget for all funds except the agency fund. A budgetary comparison schedule has been provided for the general fund and all major special revenue funds to demonstrate compliance with the budget.

## DISTRICT-WIDE FINANCIAL ANALYSIS

- 62.6% of the District's assets are its investment in capital assets (e.g. land, buildings, equipment). The District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the District's net position as of June 30, 2017 and 2018:

### *Condensed Statement of Net Position*

		<b>Governmental Activities</b>	
		2016-17	2017-18
<b>ASSETS</b>			
Current Assets-Unrestricted		\$ 6,194,837	\$ 6,123,239
Current Assets-Restricted		\$ 948,241	\$ 958,154
Capital Assets		<u>\$12,084,126</u>	<u>\$11,827,955</u>
	Total Assets	\$19,227,204	\$18,909,348
<b>Deferred Outflows of Resources</b>		\$22,552,021	\$19,188,893
<b>LIABILITIES</b>			
Current Liabilities		\$ 1,622,703	\$ 2,044,926
Long Term Liabilities		\$ 3,765,983	\$ 2,628,644
Net Pension and OPEB liabilities		<u>\$56,413,566</u>	<u>\$64,097,011</u>
	Total Liabilities	\$61,802,252	\$68,770,581
<b>Deferred Inflows of Resources</b>		\$ 474,199	\$ 2,643,734
<b>NET POSITION</b>			
Net Investment in Capital Assets		\$ 8,708,315	\$ 9,331,652
Restricted		\$ 1,519,060	\$ 1,434,903
Unrestricted		<u>(\$30,724,601)</u>	<u>(\$44,082,629)</u>
	<b>TOTAL NET POSITION</b>	(\$20,497,226)	(\$33,316,074)

\* Management note: see first item under Financial Highlights on page i for comment on Total Net Position



The following is a summary of the District's revenues, expenditures, and change in net position:

***Condensed Statement of Activities***

<b>Revenues</b>	<b>Governmental Activities</b>	
	<b>2016-17</b>	<b>2017-18</b>
Program Revenues:		
Charges for Services	\$ 326,387	\$ 339,060
Oper. Grants/Contributions	\$ 1,097,085	\$ 1,056,630
Capital Grants/Contributions	\$ -	\$ -
General Revenues:		
Local Prop/SO Taxes	\$ 6,814,901	\$ 7,029,477
State Equalization	\$ 7,783,758	\$ 7,814,565
Investment Earnings	\$ 35,330	\$ 61,812
Miscellaneous	\$ 216,442	\$ 305,156
Transfers	<u>\$ -</u>	<u>\$ -</u>
<b>Total Revenues</b>	<b>\$16,273,903</b>	<b>\$16,606,700</b>
 <b>(Expenses)</b>		
<b>and change in net assets</b>		
Instruction	\$(13,475,340)	\$(15,901,178)
Athletics	\$ (478,260)	\$ (492,547)
Supporting Services:		
Student Support	\$ (1,613,947)	\$ (1,692,151)
Instructional Staff	\$ (1,092,259)	\$ (1,075,933)
General Admin	\$ (594,782)	\$ (656,961)
School Admin	\$ (2,599,854)	\$ (2,543,851)
Business Services	\$ (882,569)	\$ (1,140,501)
Operations & Maint.	\$ (2,421,107)	\$ (2,757,664)
Student Transportation	\$ (1,205,714)	\$ (1,124,119)
Central Support Serv.	\$ (206,073)	\$ (231,906)
Other Support Serv.	\$ (104,069)	\$ (14,799)
Food Services	\$ (500,540)	\$ (489,139)
Community Services	\$ -	\$ (2,424)
Facilities Acquisition/construction	\$ (163,568)	\$ (137,078)
Interest on Long-Term Debt	<u>\$ (71,734)</u>	<u>\$ (52,937)</u>
<b>Total Expenses</b>	<b>\$(25,427,816)</b>	<b>\$(28,313,188)</b>
<b>Change in Net Position</b>	<b>\$ (9,153,913)</b>	<b>\$(11,706,488)</b>
Beginning Net Position, as originally stated	\$ (11,343,313)	\$ (20,497,226)
Adjustments to beginning net position	<u>\$ -</u>	<u>\$ (1,112,360)</u>
Beginning Net Position, as restated	<u>\$ (11,343,313)</u>	<u>\$ (21,609,586)</u>
<b>Ending Net Position</b>	<b><u>\$ (20,497,226)</u></b>	<b><u>\$ (33,310,347)</u></b>

The primary source of revenue for Colorado school districts comes from the School Finance Act (SFA) of 1994, as amended. Under the SFA the District received \$7,500.95 in 2016-17 and \$7,761.39 in 2017-18

in per pupil funding (PPF) for each full time equivalent (FTE) student. Normal funding for the SFA comes from property taxes, specific ownership taxes, and state equalization payments (which supplement the amount the district raises locally through property taxes and specific ownership taxes).

A “negative factor” applied to state equalization in recent years has prevented the District from receiving its full per pupil funding amount; this decrease in state funding has been caused by the legislature’s need to comply with the Colorado constitution, which requires a balanced budget, so the state has not paid the District what it is owed by the SFA funding formula. This decrease in state funding to the District was \$1,353,821 in 2017-18, and totals \$11,929,098 since the 2008-2009 school year.

The District is fortunate that its voters have approved three mill levy overrides (MLO’s); the most recent override was passed in November 2015, and increased the override amount from \$1,900,000 to \$3,700,000. These overrides were passed to attract and retain personnel, and to maintain and upgrade the district’s buildings, equipment and grounds. Since the “negative factors” have begun, the overrides have served the purpose of offsetting these reductions in state funding.

## ANALYSIS OF THE DISTRICT’S FUNDS

### *Major Governmental Funds*

The **general fund** is the primary operating fund of the District. The fund balance for the general fund was \$3,749,020 at the start of the fiscal year and \$3,631,851 at the end, a decrease of \$117,169. A \$3.6 million fund balance is rather large for a school district the size of Manitou if there was an expectation of year-to-year increases in PPF; this remains an uncertainty as long as the negative factors continue.

The management decision will be to determine how long the funding problems for the state will continue, whether the funding reductions will grow larger, and therefore what amount the district should keep in its fund balance. The MLO’s place the District in a better position to deal with this uncertainty.

The District maintains an **insurance fund** within the general fund for the expenses associated with its risk related activities. The insurance fund balance increased from \$29,118 during the year to \$30,344 (this is in addition to the general fund balance).

The **bond redemption fund** exists to service the repayment of the District’s general obligation construction bond (Series 2001 originally issued for \$8,500,000), which was refunded during 2010-11 and replaced with a Series 2011 Bond. There was a final payment on the 2001 bond during 2011-12. The remaining principal balance as of June 30, 2018 was \$2,145,000 for the 2011 bond; fund balance for the bond redemption fund as of the same date was \$976,903.

### *Non-major Governmental Funds*

Information for additional governmental funds is aggregated and reported as non-major governmental funds on the balance sheet, and the statement of revenues, expenditures and changes in fund balances. Further detail by fund is reported as part of the required supplementary information section of this report. Included in the District’s non-major governmental funds are the food service fund, the designated purpose grants fund, the activity fund, and the capital projects fund.

The **food service fund** is used to account for all financial activities associated with the school breakfast and lunch programs. Revenues come primarily from charges for meals, state matching funds, and reimbursements under the Federal Child Nutrition Act. Revenues during the year were \$386,829; in addition, there were transfers from the general fund totaling \$120,000 to supplement revenues. Net position increased by \$17,690 during the year to \$89,225.

The **governmental designated purpose grants fund** maintains separate accounts for each federal, state, and local grant funded program. Grant funds are awarded for a specific use as defined in the grant application and can only be used for the purposes for which they were granted, primarily to improve student achievement. The District received \$299,590 in grants revenue during the year.

The **activity fund** accounts for salaries and benefits for activity sponsors, athletic coaches, game staff, athletic and safety equipment, and game expenses (including travel to out-of-town events and officials for home games). Revenues from gate receipts, season tickets, and fund raising amounted to \$103,464 during the year. An operating transfer from the General Fund in the amount of \$525,000 provided the bulk of funds required to run the various programs. Ending fund balance decreased by \$25,125 during the year to \$70,262.

The **capital projects fund** for the District is funded by an allocation from the general fund and provides for the purchase of capital equipment and building/site improvements. The ending fund balance is \$104,603.

### ***Fiduciary Funds***

Fiduciary funds are not reported in the district-wide financial statements. The District's **trust and agency fund** was created to act as a custodian or fiduciary for student activities and teacher mini-grants through the Manitou Springs Education Foundation (MSEF). Deposits to this fund consist of donations, grants, student fundraisers and vending machine receipts, and totaled \$551,041 for FY18; disbursements totaled \$468,904. Ending balance in this fund was \$497,380.

## **BUDGETARY HIGHLIGHTS**

The District's budget is prepared in accordance with state law. The most significant budgeted fund is the general fund. The District must keep in mind the uncertain economic conditions in the state, which may require the continued use of override funds and the district's large fund balance to offset possible reductions in per pupil funding from the state.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets include land, buildings, improvements, machinery, vehicles, equipment, and any construction in progress. The District's investment in capital assets for its governmental activities at the end of the year was \$11,827,955, net of accumulated depreciation.

### **Debt Administration**

At the end of FY18, the District had \$2,145,000 of long term debt outstanding; \$685,000 in principal and \$72,100 in interest payments are due in FY19.

## **ECONOMIC FACTORS**

Normal funding changes for school districts in Colorado are limited to inflation plus population growth. Inflation is determined by the consumer price index for the Denver-Boulder area, and that rate is applied to the amount of per pupil funding for an FTE student. Population growth is defined by the change in the number of students attending the school district. The largest component of per pupil funding for Manitou is state equalization paid by the state of Colorado; a decrease in state revenues led to reductions in PPF in recent years. The District has been able to offset some of these reductions in state equalization funding by an increase in student enrollment.

The student population in recent years is as follows:

1,376 students (1,311.2 FTE) in 2008-09  
1,405 students (1,337.0 FTE) in 2009-10  
1,418 students (1,343.7 FTE) in 2010-11  
1,510 students (1,434.5 FTE) in 2011-12  
1,500 students (1,429.7 FTE) in 2012-13  
1,480 students (1,422.3 FTE) in 2013-14  
1,458 students (1,429.9 FTE) in 2014-15  
1,492 students (1,438.6 FTE) in 2015-16  
1,490 students (1,433.4 FTE) in 2016-17

The count for 2017-18 dropped to 1,399 students (1,405.9 FTE).

Overall, enrollment has remained strong despite the District's "landlocked" location with mountains on one side and the city of Colorado Springs (and other school districts) on the other. There is little available land for the development of new housing areas that would bring an increasing number of students; the overall increase is a result of students "choicing" into the District from surrounding school districts.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives.

If you have questions about this report or need additional financial information, contact the Chief Financial Officer, Manitou Springs School District 14, 405 El Monte Place, Manitou Springs, CO 80829.

## **BASIC FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 5,587,547
Receivables	404,174
Receivable from agency fund	65,132
Inventories	66,386
Restricted cash and cash equivalents	958,154
Capital assets, not being depreciated	1,155,307
Capital assets, net of depreciation	10,672,648
Total assets	18,909,348
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred pension outflows	19,108,995
Deferred OPEB outflows	79,898
Total deferred outflows of resources	19,188,893
<b>LIABILITIES</b>	
Accounts payable	189,058
Accrued salaries and benefits	1,796,606
Accrued interest payable	21,367
Payable to student organizations	-
Unearned revenue	37,895
Long-term liabilities	
Due within one year	
Long-term debt	810,733
Due in more than one year	
Compensated absences	132,341
Long-term debt	1,685,570
Net pension liability	62,665,985
Net OPEB liability	1,431,026
Total liabilities	68,770,581
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred pension inflows	2,619,793
Deferred OPEB inflows	23,941
Total deferred inflows of resources	2,643,734
<b>NET POSITION</b>	
Net investment in capital assets	9,331,652
Restricted for:	
Emergency reserve (TABOR)	458,000
Debt service	976,903
Unrestricted	(44,082,629)
Total net position	\$ (33,316,074)

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2018**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental activities				
Instruction	\$ 15,901,178	\$ 99,269	\$ 675,568	\$ (15,126,341)
Athletics	492,547	54,513	-	(438,034)
Supporting services				
Student support	1,692,151	-	54,000	(1,638,151)
Instructional staff	1,075,933	-	-	(1,075,933)
General administration	656,961	-	-	(656,961)
School administration	2,543,851	-	-	(2,543,851)
Business services	1,140,501	-	-	(1,140,501)
Operations and maintenance	2,757,664	-	-	(2,757,664)
Student transportation services	1,124,119	-	127,195	(996,924)
Central support services	231,906	-	-	(231,906)
Other support services	14,799	-	-	(14,799)
Food service operations	489,139	185,278	199,867	(103,994)
Community services	2,424	-	-	(2,424)
Facilities acquisition and construction	137,078	-	-	(137,078)
Interest on long-term debt	52,937	-	-	(52,937)
Total governmental activities	<u>\$ 28,313,188</u>	<u>\$ 339,060</u>	<u>\$ 1,056,630</u>	<u>(26,917,498)</u>
General revenues:				
Property taxes				6,213,657
Specific ownership taxes				815,820
State equalization				7,814,565
Investment earnings				61,812
Miscellaneous				305,156
Total general revenues				<u>15,211,010</u>
Change in net position				(11,706,488)
Net position - beginning, as restated				<u>(21,609,586)</u>
Net position - ending				<u><u>\$ (33,316,074)</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2018**

	<b>General Fund</b>	<b>Bond Redemption Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 5,553,106	\$ -	\$ 32,600	\$ 5,585,706
Cash with county treasurer	-	1,841	-	1,841
Receivables	323,929	36,585	43,660	404,174
Due from other funds	-	-	226,099	226,099
Receivable from agency fund	-	-	65,132	65,132
Inventories	57,790	-	8,596	66,386
Restricted cash and cash equivalents	-	958,154	-	958,154
Total assets	<u>\$ 5,934,825</u>	<u>\$ 996,580</u>	<u>\$ 376,087</u>	<u>\$ 7,307,492</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 189,058	\$ -	\$ -	\$ 189,058
Accrued salaries and benefits	1,684,610	-	111,997	1,796,607
Due to other funds	226,098	-	-	226,098
Unearned revenue	37,895	-	-	37,895
Total liabilities	<u>2,137,661</u>	<u>-</u>	<u>111,997</u>	<u>2,249,658</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue-property taxes	<u>165,313</u>	<u>19,677</u>	<u>-</u>	<u>184,990</u>
<b>FUND BALANCES</b>				
Nonspendable	57,790	-	8,596	66,386
Restricted for:				
Emergency reserve (TABOR)	458,000	-	-	458,000
Debt service	-	976,903	-	976,903
Assigned:				
Subsequent years' insurance claims	30,334	-	-	30,334
Pupil activities	-	-	70,262	70,262
Capital projects	-	-	104,603	104,603
Food service activities	-	-	80,629	80,629
Unassigned	3,085,727	-	-	3,085,727
Total fund balances	<u>3,631,851</u>	<u>976,903</u>	<u>264,090</u>	<u>4,872,844</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,934,825</u>	<u>\$ 996,580</u>	<u>\$ 376,087</u>	<u>\$ 7,307,492</u>

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



**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

Total Fund Balance, Governmental Funds	\$	4,872,844
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds, but are reported in the governmental activities of the Statement of Net Position.		11,827,955
Certain property tax receivable is not available to pay current period expenditures and therefore is not reported in the funds, but is reported in the governmental activities of the Statement of Net Position.		184,990
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		
Pension outflows	\$ 19,108,995	
OPEB outflows	<u>79,898</u>	19,188,893
Accrued interest is not due and payable in the current period, and therefore is not reported as a liability in the funds.		(21,367)
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds		
Net pension liabilities	\$ (62,665,985)	
Net OPEB liabilities	<u>(1,431,026)</u>	(64,097,011)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows in the funds.		
Pension inflows	\$ (2,619,793)	
OPEB inflows	<u>(23,941)</u>	(2,643,734)
Long-term liabilities, including bonds payable, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.		<u>(2,628,644)</u>
Net Position of Governmental Activities in the Statement of Net Position	\$	<u><u>(33,316,074)</u></u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>General Fund</b>	<b>Bond Redemption Fund</b>	<b>Total Nonmajor Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Local sources	\$ 6,619,249	\$ 668,143	\$ 290,426	\$ 7,577,818
State sources	8,274,862	-	5,656	8,280,518
Federal sources	242,829	-	493,801	736,630
Total revenues	<u>15,136,940</u>	<u>668,143</u>	<u>789,883</u>	<u>16,594,966</u>
<b>EXPENDITURES</b>				
Instruction	7,770,698	-	436,685	8,207,383
Athletics	-	-	459,095	459,095
Supporting services	6,337,118	-	835,324	7,172,442
Food service operations	-	-	489,139	489,139
Community services	-	-	2,424	2,424
Debt service				
Principal	-	660,000	99,403	759,403
Interest and fiscal charges	-	99,700	1,046	100,746
Total expenditures	<u>14,107,816</u>	<u>759,700</u>	<u>2,323,116</u>	<u>17,190,632</u>
Excess (deficiency) of revenues over expenditures	<u>1,029,124</u>	<u>(91,557)</u>	<u>(1,533,233)</u>	<u>(595,666)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	98,707	-	-	98,707
Transfers in	-	-	1,245,000	1,245,000
Transfers out	(1,245,000)	-	-	(1,245,000)
Total other financing sources (uses)	<u>(1,146,293)</u>	<u>-</u>	<u>1,245,000</u>	<u>98,707</u>
Net change in fund balances	(117,169)	(91,557)	(288,233)	(496,959)
Fund balances - beginning	<u>3,749,020</u>	<u>1,068,460</u>	<u>552,323</u>	<u>5,369,803</u>
Fund balances - ending	<u>\$ 3,631,851</u>	<u>\$ 976,903</u>	<u>\$ 264,090</u>	<u>\$ 4,872,844</u>

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 14  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2018**

Net Change in Fund Balances - Total Governmental Funds \$ (496,959)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (252,032)

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the asset sold. (4,139)

Governmental funds do not present property tax revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 14,340

Interest expense is reported when incurred in the statement of activities but is not reported in the funds until paid. (1,289)

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt. 879,507

Governmental funds measure compensated absences by the amount of financial resources used, whereas these expenses are reported in the statement of activities based on the amounts incurred during the year. This amount represents the net effect of compensated absences payable on the Statement of Activities. 19,274

Expenses reported in the statement of activities for the net pension and OPEB liabilities do not require the use of current financial resources and, therefore, are not reported in the funds.

Pension expenses	\$ (11,841,039)	
OPEB expenses	(24,151)	(11,865,190)

Change in Net Position of Governmental Activities \$ (11,706,488)

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

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**AGENCY FUND**  
**JUNE 30, 2018**

<b>ASSETS</b>	
Cash and cash equivalents	\$ 566,061
	<hr/>
Total assets	566,061
	<hr/>
<b>LIABILITIES</b>	
Accounts payable	3,549
Payable to primary government	65,132
Payable to student organizations	497,380
	<hr/>
Total liabilities	566,061
	<hr/>
<b>NET POSITION</b>	<b>\$ -</b>
	<hr/> <hr/>

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

## **NOTES TO FINANCIAL STATEMENTS**

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of El Paso County School District No. 14 (the District), Manitou Springs, Colorado, conform to generally accepted accounting policies as applicable to governments.

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 in GAAP and used by the District are discussed below.

*A. DESCRIPTION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

*B. REPORTING ENTITY*

The inclusion or exclusion of component units is based on a determination of the elected official's financial accountability to their constituents, and whether the financial reporting entity follows the same accountability. Further, the financial statements of the reporting entity should enable the reader to distinguish between the primary government (including its blended component units, which are in substance, part of the primary government) and discretely presented component units. The criteria used for determining whether an entity should be included, either blended or discretely presented, includes but is not limited to fiscal dependency, imposition of will, legal standing, and the primary recipient of services.

The District has no component units for which either discrete or blended presentation is required.

*C. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

The statement of activities demonstrates the degree to which direct expenses of given functions or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS*

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained by the District is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major governmental and enterprise funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Included in the General Fund presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

The *Debt Service Fund* accounts for the servicing of long-term debt not being financed by the capital reserve or other funds.

Additionally, the District reports the following fund types:

*Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including major capital projects).

The *Food Service Fund* accounts for the District's food service program. This fund is required to account for USDA school breakfast and lunch money received by the District.

The *Governmental Designated-Purpose Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state or local governments.

The *Pupil Activity Fund* is used to account for the revenues and expenditures related to school sponsored student intrascholastic and interscholastic athletic and other related activities. This fund receives subsidies from the General fund.

The *Capital Projects Fund* is used to account for significant capital expenditures of the District.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*D. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)*

*Fiduciary Funds* account for assets held by the government in a trustee capacity or as an agent on behalf of others. The District has one fiduciary fund:

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.



**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*E. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)*

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt are reported as other financing sources, and acquisitions of capital leased assets are reported as other financing uses.

Those revenues susceptible to accrual are property taxes, interest revenue and charges for services. Specific ownership taxes collected and held by the county at year-end on behalf of the District are also recognized as revenue. Other revenues, such as transportation, vocational and special education, are not susceptible to accrual because, generally, they are not measurable until received in cash. Entitlements and shared revenues are recorded at the time of receipt or earlier if the accrual criteria are met. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The agency fund has no measurement focus but utilizes the *accrual basis of accounting* for reporting its assets and liabilities.

*F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the cash account is available to meet current operating requirements. Surplus or temporary surplus money in each separate fund may be invested, but no mixing between funds is allowed. Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Receivables*

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventory*

Inventory is valued at the lower of cost or market using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

In the Food Service Fund, commodity inventories are stated at USDA's assigned values, which approximate fair value at the date of receipt.

*Restricted cash and cash equivalents*

The use of certain cash and cash equivalents of the District is restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)*

*Capital Assets*

Capital assets, which include sites, site improvements, buildings and improvements, transportation, and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. The capitalization level for equipment is \$5,000 in all funds. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

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

Buildings	15 - 50 years
Site improvements	20 - 50 years
Transportation	10 - 15 years
Equipment	5 - 10 years

*Pensions*

El Paso County School District No. 14 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)*

*Health Care Trust Fund*

El Paso County School District No. 14 participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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.

*Long-term liabilities*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities. Bond premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. Bonds payable are reported net of the applicable premium or discount.

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

*Net position flow assumption*

The District may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*F. ASSET, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION/FUND BALANCE (CONTINUED)*

*Fund balance flow assumption*

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Education. These amounts cannot be used for any other purpose unless the Board of Education removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**Assigned** – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted or committed. This intent can be expressed by the Board of Education or through the Board of Education delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

**Unassigned** – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*G. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

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

*Compensated absences*

*Sick pay:* Under the District's policies, all employees earn annual sick leave based upon their employment status as either a nine month or twelve month employee. All full time employees with at least five years of continuous service are eligible to receive upon resignation, termination, retirement or death, prorated payment of their accumulated annual sick leave.

The District has recorded the accrued liability for the sick pay in the accompanying financial statements. Unpaid liability for the sick pay for the governmental funds is recorded in the government-wide financial statements.

*Vacation pay:* The District has recorded the accrued liability for the dollar value of accumulated unpaid vacation that will be paid to employees upon separation from District service.

The current portion of this liability represents the amounts that would be liquidated with expendable available financial resources and would be recorded in the General Fund. The current portion is not material. Therefore, a liability of these benefits has not been reflected in these statements.

*H. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

*I. PRIOR PERIOD ADJUSTMENTS*

*Adoption of new accounting standards*

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*, effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

*Correction of an error*

During the year, it was determined that the prior year compensated absences liability was calculated for all individuals with 5 or more years of service and the District did not account for the age requirement to retire with PERA. As a result, the beginning net position for the governmental activities has been restated to reflect the cumulative effect of the correction.

The above restatements had the following impact on previously reported balances:

Net Position, June 30, 2017, as originally stated	\$ (20,497,226)
Restatement for net OPEB liability	(1,350,917)
Restatement for compensated absences	<u>238,557</u>
Net Position, June 30, 2017, as Restated (deficit)	<u>\$ (21,609,586)</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position:

The governmental funds balance sheet includes a reconciliation between *total fund balances—governmental funds* and *total net position—governmental activities* as reported in the government-wide statement of net position.

One element of that reconciliation explains that “capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds”. The details of this difference are as follows:

Capital assets, not being depreciated	\$ 1,155,307
Capital assets, net of depreciation	<u>10,672,648</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>total net position—governmental activities</i>	<u>\$ 11,827,955</u>

Another element of that reconciliation explains that “Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.” The details of this difference are as follows:

Bonds payable	\$ (2,145,000)
Unamortized bond premium	(96,102)
Capital leases	(255,201)
Compensated absences	<u>(132,341)</u>
Net adjustment to <i>total fund balances—governmental funds</i> to arrive at <i>net position—governmental activities</i>	<u>\$ (2,628,644)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities:

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

One element of that reconciliation explains that “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”. The details of this difference are as follows:

Depreciation	\$ (745,074)
Capital outlays	<u>493,042</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	<u>\$ (252,032)</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS  
(CONTINUED)**

Another element of the reconciliation states that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of the governmental funds. Neither transaction, however, has any effect on net position”. The details of this difference are as follows:

Amortization	\$	48,052
Principal on bonds		660,000
Principal on leases		270,162
Proceeds from capital leases		<u>(98,707)</u>
Net adjustment to <i>net change in fund balances—governmental funds</i> to arrive at <i>change in net position—governmental activities</i>	\$	<u>879,507</u>

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGETARY INFORMATION*

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At the May board meeting of the Board of Education, the Assistant Superintendent and Superintendent of Schools submit to the Board of Education, a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Board of Education meetings to obtain taxpayers comments.
3. Prior to June 30, the budget is adopted by the Board of Education.
4. Any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration is employed as a management control device during the year for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds.
6. Budgets for the General, Special Revenue, Capital Projects, Debt Service, and Trust and Agency Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts in this report are as originally adopted or amended.
7. All original and supplemental appropriations for all funds lapse at the end of the fiscal year.

**NOTE 4 – DEPOSITS AND INVESTMENTS**

*DEPOSITS*

*Custodial Credit Risk:* Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.



**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*DEPOSITS (CONTINUED)*

The carrying amount of the District’s deposits at June 30, 2018 was \$575,515 and the bank balances were \$570,955. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$320,955 was uninsured but collateralized in accordance with the provisions of the PDPA. The collateral is pooled and held in trust for all uninsured deposits as a group.

*INVESTMENTS*

The District is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

At June 30, 2018 the District’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	<u>\$ 5,889,440</u>

*Credit Risk:* State law limits investments to those described above. The District does not have an investment policy that would further limit its investment choices. As of June 30, 2018 all of the District’s investments were rated AAAM by Standard & Poor’s.

The District has invested in the Colorado Government Liquid Asset Trust (COLOTRUST). COLOTRUST is an investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00. The fair value of the position in the pool is the same as the value of the pool shares.

The designated custodial bank provides safekeeping and depository services to COLOTRUST in connection with the direct investment and withdrawal function of COLOTRUST. Substantially all securities owned by COLOTRUST are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by COLOTRUST. Investments of COLOTRUST consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes. However, the District does not categorize investments with COLOTRUST because they are not evidenced by securities that exist in physical or book entry form.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)**

*RECONCILIATION OF DEPOSITS AND INVESTMENTS TO THE STATEMENT OF NET POSITION*

Deposits	\$ 575,515
ColoTrust	5,889,440
Cash with County Treasurer	<u>80,746</u>
	<u>\$ 6,545,701</u>
Cash and cash equivalents	\$ 5,587,547
Restricted cash and cash equivalents	<u>958,154</u>
	<u>\$ 6,545,701</u>

**NOTE 5 – RECEIVABLES**

Receivables as of yearend for the government’s individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Bond Redemption</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables:				
Property tax	\$ 307,035	\$ 36,585	\$ -	\$ 343,620
Grant proceeds	<u>16,894</u>	<u>-</u>	<u>43,660</u>	<u>60,554</u>
Total	<u>\$ 323,929</u>	<u>\$ 36,585</u>	<u>\$ 43,660</u>	<u>\$ 404,174</u>

The District expects uncollectible amounts to be insignificant; accordingly, no allowance for uncollectible accounts has been made.

**NOTE 6 – TAXES**

*PROPERTY TAXES*

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on December 31 and are payable in full by April 30, or are payable in two equal installments due February 28 and June 15. The El Paso County Treasurer bills and collects the District’s property tax. District property tax revenues are recognized when levied to the extent they result in current receivables.

The District is permitted to levy taxes on the assessed valuation for general governmental services and for the payment of principal and interest on long-term debt. The combined tax rate to finance general governmental services for the year ended December 31, 2018 is 46.469 mills for general operating expenses and 5.531 mills for the payment of long-term debt. The District’s assessed valuation for the collection year 2018 is \$120,187,250.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 6 – TAXES (CONTINUED)**

*SPECIFIC OWNERSHIP TAXES*

Specific ownership taxes are collected by the county for motor vehicle and other personal property registered in the District’s assessment area. The tax receipts collected by the county are remitted to the District in the subsequent month. Specific ownership taxes are recorded as revenue when collected by the county.

**NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

*Receivables and Payables*

All interfund receivables and payables are created in conjunction with the District’s pooled cash and investment portfolios. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Grants Fund	General Fund	\$ 17,726
Pupil Activity Fund	General Fund	4,630
Capital Projects Fund	General Fund	104,603
Food Service Fund	General Fund	<u>99,140</u>
Total		<u>\$ 226,099</u>

*Transfers*

Interfund transfer activity for the year ended June 30, 2018 is as follows:

<u>Transfers In</u>	<u>Transfers out</u>
	<u>General Fund</u>
Non-major Gov’t Funds	<u>\$ 1,245,000</u>
Total	<u>\$ 1,245,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and (3) move capital assets from one fund to another fund when the fund using the capital assets changes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Balance</u> <u>06/30/17</u>	<u>Additions</u>	<u>Sales and</u> <u>Retirements</u>	<u>Balance</u> <u>06/30/18</u>
<i>Governmental Activities</i>				
Non-depreciable assets:				
Sites	\$ 1,155,307	\$ -	\$ -	\$ 1,155,307
Total non-depreciable assets	<u>1,155,307</u>	<u>-</u>	<u>-</u>	<u>1,155,307</u>
Depreciable assets:				
Site improvements	3,397,681	-	6,130	3,391,551
Buildings	18,093,934	295,388	-	18,389,322
Transportation	1,178,307	87,787	-	1,266,094
Equipment	<u>1,731,324</u>	<u>109,867</u>	<u>10,238</u>	<u>1,830,953</u>
Total depreciable assets	<u>24,401,246</u>	<u>493,042</u>	<u>16,368</u>	<u>24,877,920</u>
Less accumulated depreciation for:				
Site improvements	1,606,261	163,553	2,448	1,767,366
Buildings	9,396,149	438,072	-	9,834,221
Transportation	912,908	65,300	-	978,208
Equipment	<u>1,557,109</u>	<u>78,149</u>	<u>9,781</u>	<u>1,625,477</u>
Total accumulated depreciation	<u>13,472,427</u>	<u>745,074</u>	<u>12,229</u>	<u>14,205,272</u>
Total depreciable assets, net	<u>10,928,819</u>	<u>(252,032)</u>	<u>(4,139)</u>	<u>10,672,648</u>
<i>Governmental activities, net</i>	<u>\$ 12,084,126</u>	<u>\$ (252,032)</u>	<u>\$ (4,139)</u>	<u>\$ 11,827,955</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

Instruction	\$ 368,737
Athletics	30,372
School administration	1,809
Operations and maintenance	108,244
Student transportation	60,933
Central	37,901
Facilities acquisition	<u>137,078</u>
	<u>\$ 745,074</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 – ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, are \$1,796,606 in the governmental funds. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

**NOTE 10 - LONG-TERM LIABILITIES**

*GENERAL OBLIGATION BONDS*

Principal  
Balance

2011 refunding bonds were issued on June 7, 2011 to advance refund the District's outstanding 2001 building bonds. Principal is due annually on November 1 beginning in 2012 through 2020. Interest is due semi-annually on November 1 and May 1 and accrue at an annual interest rate between 2.0% and 4.0%.

\$ 2,145,000

The last bond election for the District was in 2000 when the voters approved the issuance of \$8,500,000 of general obligation bonds, of which \$8,500,000 has been issued.

There is \$976,903 available in the Debt Service Fund to service the general obligation building bonds.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Fiscal Year Ending June 30</u>	Governmental Activities	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 685,000	\$ 72,100
2020	715,000	44,100
2021	<u>745,000</u>	<u>14,900</u>
Total	<u>\$ 2,145,000</u>	<u>\$ 131,100</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)**

*CAPITAL LEASES*

*District-wide Energy Project*

The District entered into a lease as lessee on May 31, 2006 for energy improvements to the facilities with a cost of \$1,980,407. This lease qualifies as a capital lease. The lease requires semi-annual payments of \$71,208 beginning November 22, 2006 through May 22, 2018. The lease has been fully satisfied and the ownership of the improvements was transferred to the District.

*Lighting Equipment*

The District entered into a lease as lessee on June 12, 2017 for lighting equipment with a cost of \$288,800. This lease qualifies as a capital lease. The lease requires annual payments of \$100,449 beginning July 15, 2017 through July 19, 2019. Upon full satisfaction of the lease, the ownership of the equipment will transfer to the District.

*New Phone System*

The District entered into a lease as lessee on October 15, 2017 for a new phone system with a cost of \$98,707. This lease qualifies as a capital lease. The lease requires annual payments of \$32,902 beginning November 15, 2017 through November 15, 2019. Upon full satisfaction of the lease, the ownership of the equipment will transfer to the District.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Equipment	\$ 98,707
Buildings	288,800
Less: Accumulated depreciation	<u>(29,124)</u>
Total	<u>\$ 358,383</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2018, were as follows:

	<u>Year Ending June 30</u>
2019	\$ 125,733
2020	<u>129,468</u>
Total minimum lease payments	255,201
Less: amount representing interest	<u>(11,502)</u>
Present value of minimum lease payments	<u>\$ 243,699</u>

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 10 - LONG-TERM LIABILITIES (CONTINUED)**

*COMPENSATED ABSENCES*

Accrued sick leave for all the District's full-time employees totals \$132,341. The sick leave is payable upon retirement for all full-time employees with at least five years of continuous service with the District who are approved for their PERA retirement.

*CHANGES IN LONG-TERM LIABILITIES*

The following is a summary of long-term debt transactions of the District for the year ended June 30, 2018:

	<u>Balance</u> <u>06/30/17</u>	<u>Debt Issued</u> <u>and Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/18</u>	<u>Due Within</u> <u>One year</u>
Bonds payable:					
General obligation bonds	\$ 2,805,000	\$ -	\$ 660,000	\$ 2,145,000	\$ 685,000
Unamortized bond premium	<u>144,154</u>	<u>-</u>	<u>48,052</u>	<u>96,102</u>	<u>-</u>
	2,949,154	-	708,052	2,241,102	685,000
Capital leases payable	<u>426,657</u>	<u>98,707</u>	<u>270,163</u>	<u>255,201</u>	<u>125,733</u>
Total bond and capital leases	3,375,811	98,707	978,215	2,496,303	810,733
Compensated absences	<u>151,615</u>	<u>-</u>	<u>19,274</u>	<u>132,341</u>	<u>-</u>
 Total	 <u>\$ 3,527,426</u>	 <u>\$ 98,707</u>	 <u>\$ 997,489</u>	 <u>\$ 2,628,644</u>	 <u>\$ 810,733</u>

**NOTE 11 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; workers' compensation; general liability; unemployment; and employee benefit expenses related to health programs.

The District is provided with property and liability insurance through the Colorado School Districts Self Insurance Pool. The District carries commercial insurance for worker's compensation and medical coverage. Settled claims resulting from these risks have not exceeded the insurance coverage for each of the past three years.

*Colorado School Districts Self Insurance Pool*

The District is a member of the Colorado School Districts Self Insurance Pool (the Pool), which operates as a self insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The board of the Pool is selected by member entities. The District pays an annual premium to the Pool for its general property and liability coverage.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

*Grants*

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant.

**NOTE 13 – JOINTLY GOVERNED ORGANIZATION**

*Ute Pass Board of Cooperative Educational Services*

The District participates in the Ute Pass Board of Cooperative Educational Services (BOCES). The District has two members on a five member board. This board has final authority for all budgeting and financing of the joint venture.

The District’s share of annual contributions to the joint venture was approximately 25% for the year ended June 30, 2017. Audited financial information for the joint venture as of June 30, 2017 (latest information available) is as follows:

	Governmental Funds
Assets	\$ 293,184
Liabilities	281,266
Net position	\$ 11,918
Revenues	\$ 1,742,900
Expenditures	1,742,900
Change in net position	\$ -

Complete financial statements for the BOCES can be obtained from their office at 405 El Monte Place, Manitou Springs, Colorado 80829.

**NOTE 14 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

*Plan description.* Eligible employees of the El Paso County School District No. 14 are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).



**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Contributions provisions as of June 30, 2018:* Eligible employees and El Paso County School District No. 14 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate <sup>1</sup>	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00%	5.50%
Total employer contribution rate to the SCHDTF <sup>1</sup>	18.63%	19.13%

Rates are expressed as a percentage of salary as defined in C.R.S. §24-51-101(42)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 14 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from El Paso County School District No. 14 were \$1,722,815 for the year ended June 30, 2018.

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

At June 30, 2018, the El Paso County School District No. 14 reported a liability of \$62,665,985 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The El Paso County School District No. 14 proportion of the net pension liability was based on El Paso County School District No. 14 contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the El Paso County School District No. 14's proportion was 0.1937936701 percent, which was an increase of 0.0043202447 from its proportion measured as of December 31, 2016.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

For the year ended June 30, 2018, the El Paso County School District No. 14 recognized pension expense of \$13,563,854. At June 30, 2018, the El Paso County School District No. 14 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 expected and actual Experience	\$ 1,152,163	\$ -
Changes of assumptions or other inputs	16,000,954	101,538
Net difference between projected and actual earnings on pension plan investments	-	2,460,953
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,068,626	57,302
Contributions subsequent to the measurement date	887,252	N/A
Total	\$ 19,108,995	\$ 2,619,793

\$887,252 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	\$ 10,394,456
2020	\$ 5,983,439
2021	\$ 149,875
2022	\$ (925,820)
2023	\$ -
Thereafter	\$ -

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

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

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

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

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

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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.

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 4.78 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:

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Sensitivity of the El Paso County School District No. 14 proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 79,157,798	\$ 62,665,985	\$ 49,227,042

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

*Changes between the measurement date of the net pension liability and June 30, 2018.*

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

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**NOTE 14 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the El Paso County School District No. 14 reported a liability of \$62,665,985 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the El Paso County School District No. 14 proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 28,311,949

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$29,252,874 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

*Health Care Trust Fund*

*Plan description.* Eligible employees of the El Paso County School District No. 14 are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).



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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

*PERA Benefit Structure*

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

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

*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.

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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the El Paso County School District No. 14 is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from El Paso County School District No. 14 were \$93,056 for the year ended June 30, 2018.

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

At June 30, 2018, the El Paso County School District No. 14 reported a liability of \$1,431,026 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The El Paso County School District No. 14 proportion of the net OPEB liability was based on El Paso County School District No. 14 contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the El Paso County School District No. 14 proportion was 0.1101128074 percent, which was an increase of 0.0024138665 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the El Paso County School District No. 14 recognized OPEB expense of \$117,206. At June 30, 2018, the El Paso County School District No. 14 reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 6,768	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	23,941
Changes in proportion and differences between contributions recognized and proportionate share of contributions	25,822	-
Contributions subsequent to the measurement date	47,308	N/A
Total	\$ 79,898	\$ 23,941

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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

\$47,308 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	\$ 417
2020	\$ 417
2021	\$ 417
2022	\$ 420
2023	\$ 6,402
Thereafter	\$ 576

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

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

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.

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(CONTINUED)**

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, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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

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

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

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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
**(CONTINUED)**

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

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

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

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

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

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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(CONTINUED)**

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

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

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

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

*Sensitivity of the El Paso County School District No. 14 proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 1,391,653	\$ 1,431,026	\$ 1,478,448

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**NOTE 15 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN  
(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, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the El Paso County School District No. 14 proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,608,923	\$ 1,431,026	\$ 1,279,186

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

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**NOTE 16 – COLORADO SCHOOL DISTRICT/BOCES, ELECTRONIC DATA INTEGRITY CHECK FIGURES**

The School Finance Act requires inclusion of the Colorado School District/BOCES, Electronic Financial Data Integrity Check Figures as a supplement schedule to the audited financial statements. The Report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

**NOTE 17 - TAX, SPENDING, AND DEBT LIMITATIONS**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments.

The entity's financial activity provides the basis for calculation of limitations adjusted for allowable increases tied to inflation and local growth.

The amendment excludes from its provisions Enterprises. Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of its annual revenue in grants from all state and local governments combined, are excluded from the provisions of the Amendment.

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

The Amendment requires, with certain exceptions, voter approval prior to imposing new taxes, increasing tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

On November 3, 1998 the voters of the District authorized the District to collect, retain and expend all revenues from all sources in the fiscal year ended June 30, 1999 and subsequent years, notwithstanding any state restriction on fiscal year spending, including, without limitation, the restrictions of Article X, Section 20, of the Colorado Constitution.

On November 7, 2000 the voters of the District allowed the District to increase property taxes \$900,000 annually, stipulating that the District's total mill levy for all purposes shall not exceed 48.50 mills for fiscal year 2000-2001, 50.00 mills for fiscal year 2001-2002 and 52.00 mills for fiscal year 2002-2003 and thereafter.

On November 7, 2000 the voters of the District allowed the District to increase debt by \$8,500,000 with a repayment cost of \$17,842,375 for capital construction purposes of the District. The District also allowed taxes to be increased \$1,004,250 annually to pay off the above debt.

On November 7, 2006 the voters of the District allowed the District to raise taxes up to \$1,000,000 annually, stipulating that the District's mill levy for all purposes shall not exceed 49.00 mills for fiscal year 2007-2008 and thereafter.

On November 3, 2015 the voters of the District allowed the District to raise taxes by \$1,800,000 in the 2016 collection year, and by such amounts as may be collected annually thereafter, stipulating that the District's mill levy for all purposes shall not exceed 52.00 mills in any collection year, unless otherwise authorized by law.



**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 17 - TAX, SPENDING, AND DEBT LIMITATIONS (CONTINUED)**

The District levied 52.000 and 52.000 mills for property taxes to be collected in collection year 2018 and 2017, respectively.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, the Amendment specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or irrevocable pledging present cash reserves for all future payments.

The Amendment requires Emergency Reserves to be established. These reserves must be 3 percent of Fiscal Year Spending. The entity is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary or benefit increases. Emergency Reserves totaling \$458,000 have been presented as a reservation of fund balance in the General Fund.

The Amendment is complex and subject to judicial interpretation. The entity believes it is in compliance with the requirements of the amendment. However, the entity has made certain interpretations of the amendment's language in order to determine its compliance.

**REQUIRED SUPPLEMENTARY INFORMATION**

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF DISTRICT'S SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
District's proportion of the net pension liability (asset)	0.1937936701%	0.1894734254%	0.1819522308%	0.1825887297%	0.1870610113%
District's proportionate share of the net pension liability (asset)	\$ 62,665,985	\$ 56,413,566	\$ 27,828,309	\$ 24,746,906	\$ 23,859,581
District's covered payroll	\$ 8,939,473	\$ 8,503,907	\$ 7,929,437	\$ 7,649,158	\$ 7,541,025
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - PENSION**  
**JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 1,665,424	\$ 1,541,758	\$ 1,374,171	\$ 1,256,757	\$ 1,171,121
Contributions in relation to the contractually required contribution	<u>(1,665,424)</u>	<u>(1,541,758)</u>	<u>(1,374,171)</u>	<u>(1,256,757)</u>	<u>(1,171,121)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 8,939,473	\$ 8,503,907	\$ 7,929,437	\$ 7,649,158	\$ 7,541,025
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%	16.43%	15.53%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF DISTRICT'S SHARE OF THE NET OPEB LIABILITY**  
**JUNE 30, 2018**

	<u>2017</u>	<u>2016</u>
District's proportion of the net OPEB liability (asset)	0.1101128074%	0.1076989409%
District's proportionate share of the net OPEB liability (asset)	\$ 1,431,026	\$ 1,396,353
District's covered payroll	\$ 8,939,472	\$ 8,503,905
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF DISTRICT'S PAYROLL CONTRIBUTIONS - OPEB**  
**JUNE 30, 2018**

	<b>2017</b>	<b>2016</b>
Contractually required contribution	\$ 91,183	\$ 86,740
Contributions in relation to the contractually required contribution	(91,183)	(86,740)
Contribution deficiency (excess)	\$ -	\$ -
District's covered payroll	\$ 8,939,472	\$ 8,503,905
Contributions as a percentage of covered payroll	1.02%	1.02%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources	\$ 6,317,572	\$ 6,645,404	\$ 6,619,249	\$ (26,155)
State sources	8,324,473	8,212,490	8,274,862	62,372
Federal sources	183,892	127,828	242,829	115,001
Total revenues	<u>14,825,937</u>	<u>14,985,722</u>	<u>15,136,940</u>	<u>151,218</u>
<b>EXPENDITURES</b>				
Instruction	7,614,715	7,678,685	7,770,698	(92,013)
Supporting services				
Student support	864,866	872,131	882,582	(10,451)
Instructional staff	710,679	716,649	725,237	(8,588)
General administration	371,282	374,402	378,888	(4,486)
School administration	1,255,946	1,266,497	1,281,673	(15,176)
Business services	598,873	603,904	611,141	(7,237)
Operations and maintenance	1,589,443	1,602,796	1,622,002	(19,206)
Student transportation	618,263	623,457	630,928	(7,471)
Central support service	190,111	191,708	194,005	(2,297)
Other support services	10,448	10,536	10,662	(126)
Contingency reserves	3,320,115	3,309,859	-	3,309,859
Total expenditures	<u>17,144,741</u>	<u>17,250,624</u>	<u>14,107,816</u>	<u>3,142,808</u>
Excess (deficiency) of revenues over expenditures	<u>(2,318,804)</u>	<u>(2,264,902)</u>	<u>1,029,124</u>	<u>3,294,026</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from capital leases	-	-	98,707	98,707
Transfers out	(1,355,000)	(1,455,000)	(1,245,000)	210,000
Total other financing source (uses)	<u>(1,355,000)</u>	<u>(1,455,000)</u>	<u>(1,146,293)</u>	<u>308,707</u>
Net change in fund balances	(3,673,804)	(3,719,902)	(117,169)	3,602,733
Fund balances - beginning	<u>3,673,804</u>	<u>3,719,902</u>	<u>3,749,020</u>	<u>29,118</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,631,851</u>	<u>\$ 3,631,851</u>

See the accompanying independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS AND  
SCHEDULES**



## **GENERAL FUND**

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed primarily from property taxes and state aid. It is the most significant fund of the District.

Included in this presentation is a Risk-Management Sub-Fund of the General Fund. This fund allows the District to separate risk management accounting and maintain a self-balancing set of records specific to insurance reserve requirements.

The General Fund is deemed to be a major fund for financial reporting purposes.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF REVENUE COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUE FROM LOCAL SOURCES</b>			
Local property taxes	\$ 5,545,564	\$ 5,541,900	\$ (3,664)
Specific ownership taxes	814,875	815,820	945
Earnings on investments	50,000	51,086	1,086
Other local sources	234,965	210,443	(24,522)
Total revenue from local sources	<u>6,645,404</u>	<u>6,619,249</u>	<u>(26,155)</u>
<b>REVENUE FROM STATE SOURCES</b>			
State equalization	7,813,096	7,814,565	1,469
Vocational education	40,000	33,800	(6,200)
Transportation	123,083	127,195	4,112
Special education	21,402	76,235	54,833
Other state sources	214,909	223,067	8,158
Total revenue from state sources	<u>8,212,490</u>	<u>8,274,862</u>	<u>62,372</u>
Total revenue from federal sources	<u>127,828</u>	<u>242,829</u>	<u>115,001</u>
Total revenue	<u><u>\$ 14,985,722</u></u>	<u><u>\$ 15,136,940</u></u>	<u><u>\$ 151,218</u></u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING**  
**USES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>INSTRUCTION</b>			
Salaries	\$ 5,523,506	\$ 5,589,693	\$ (66,187)
Employee benefits	1,747,742	1,768,685	(20,943)
Purchased services	52,319	52,946	(627)
Supplies	328,408	332,343	(3,935)
Capital outlay	20,089	20,330	(241)
Other expenses	6,621	6,701	(80)
<b>Total instruction</b>	<b>7,678,685</b>	<b>7,770,698</b>	<b>(92,013)</b>
<b>SUPPORTING SERVICES</b>			
<b>Student support:</b>			
Salaries	609,840	617,148	(7,308)
Employee benefits	178,034	180,167	(2,133)
Purchased services	32,668	33,059	(391)
Supplies	51,202	51,816	(614)
Other expenses	387	392	(5)
<b>Total student support</b>	<b>872,131</b>	<b>882,582</b>	<b>(10,451)</b>
<b>Instructional staff:</b>			
Salaries	278,986	282,329	(3,343)
Employee benefits	81,550	82,527	(977)
Purchased services	124,643	126,137	(1,494)
Supplies	35,116	35,537	(421)
Capital outlay	163,842	165,805	(1,963)
Other expenses	32,512	32,902	(390)
<b>Total instructional staff</b>	<b>\$ 716,649</b>	<b>\$ 725,237</b>	<b>\$ (8,588)</b>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING**  
**USES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
General administration:			
Salaries	\$ 209,447	\$ 211,957	\$ (2,510)
Employee benefits	56,519	57,196	(677)
Purchased services	91,311	92,405	(1,094)
Supplies	16,305	16,500	(195)
Other expenses	820	830	(10)
Total general administration	<u>374,402</u>	<u>378,888</u>	<u>(4,486)</u>
School administration:			
Salaries	949,392	960,769	(11,377)
Employee benefits	270,957	274,204	(3,247)
Purchased services	25,126	25,427	(301)
Supplies	21,022	21,273	(251)
Total school administration	<u>1,266,497</u>	<u>1,281,673</u>	<u>(15,176)</u>
Business services:			
Salaries	398,758	403,537	(4,779)
Employee benefits	115,778	117,165	(1,387)
Purchased services	67,109	67,913	(804)
Supplies	22,259	22,526	(267)
Total business services	<u>603,904</u>	<u>611,141</u>	<u>(7,237)</u>
Operations and maintenance:			
Salaries	611,932	619,265	(7,333)
Employee benefits	205,026	207,483	(2,457)
Purchased services	290,315	293,794	(3,479)
Supplies	354,794	359,045	(4,251)
Other expenses	140,729	142,415	(1,686)
Total operations and maintenance	<u>\$ 1,602,796</u>	<u>\$ 1,622,002</u>	<u>\$ (19,206)</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF EXPENDITURES AND OTHER FINANCING**  
**USES COMPARED TO BUDGET**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
Student transportation:			
Salaries	\$ 343,133	\$ 347,245	\$ (4,112)
Employee benefits	120,412	121,855	(1,443)
Purchased services	84,978	85,996	(1,018)
Supplies	133,941	135,546	(1,605)
Capital outlay	14,807	14,984	(177)
Other expenses	(73,813)	(74,698)	885
Total student transportation	<u>623,457</u>	<u>630,928</u>	<u>(7,471)</u>
Central support services:			
Purchased services	<u>191,708</u>	<u>194,005</u>	<u>(2,297)</u>
Total central support services	<u>191,708</u>	<u>194,005</u>	<u>(2,297)</u>
Other support services:			
Employee benefits	<u>10,536</u>	<u>10,662</u>	<u>(126)</u>
Total other support services	<u>10,536</u>	<u>10,662</u>	<u>(126)</u>
Total supporting services	<u>6,262,080</u>	<u>6,337,118</u>	<u>(75,038)</u>
CONTINGENCY RESERVES	<u>3,309,859</u>	<u>-</u>	<u>3,309,859</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from capital leases	-	98,707	98,707
Transfers out	<u>(1,455,000)</u>	<u>(1,245,000)</u>	<u>210,000</u>
Total other financing sources (uses)	<u>(1,455,000)</u>	<u>(1,146,293)</u>	<u>308,707</u>
Total expenditures and other financing sources and (uses)	<u>\$ 18,705,624</u>	<u>\$ 15,254,109</u>	<u>\$ 3,451,515</u>

See the accompanying independent auditors' report.

## **DEBT SERVICE FUND**

The Debt Service Fund was created to account for resources to be used to service general obligation long-term debt. The District has the following Debt Service Fund:

### *Bond Redemption Fund*

This fund will account for the restricted general obligation property tax used to finance principal and interest payments on the bonds.

For financial reporting purposes, the Bond Redemption Fund was determined to be a major fund of the District for the current fiscal year.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14  
SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL  
BOND REDEMPTION FUND  
FOR THE YEAR ENDED JUNE 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Local property taxes	\$ 658,238	\$ 657,417	\$ (821)
Interest income	7,500	10,726	3,226
Total revenues	<u>665,738</u>	<u>668,143</u>	<u>2,405</u>
<b>EXPENDITURES</b>			
Debt Service:			
Principal	660,000	660,000	-
Interest and other charges	100,000	99,700	300
Contingency reserves	<u>974,198</u>	<u>-</u>	<u>974,198</u>
Total expenditures	<u>1,734,198</u>	<u>759,700</u>	<u>974,498</u>
Excess (deficiency) of revenues over expenditures	<u>(1,068,460)</u>	<u>(91,557)</u>	<u>976,903</u>
Net change in fund balance	(1,068,460)	(91,557)	976,903
Fund balances - beginning	<u>1,068,460</u>	<u>1,068,460</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ 976,903</u>	<u>\$ 976,903</u>

See the accompanying independent auditors' report.

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for specified purposes. The District has the following Special Revenue Funds:

#### *Food Service Fund*

This fund accounts for all financial activities associated with the District's school lunch program.

#### *Designated-Purpose Grants Fund*

This fund is authorized by Colorado state law for the purpose of accounting for financial assistance from certain state and federal grants.

#### *Pupil Activity Fund*

Used to record financial transactions related to school-sponsored pupil intra-scholastic and interscholastic athletic and related events. These activities are supported by revenues from pupils, gate receipts and other fund-raising activities.

### **Capital Projects Fund**

The Capital Projects Fund is used to account for significant capital expenditures of the District.



**EL PASO COUNTY SCHOOL DISTRICT NO. 14  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2018**

**Special Revenue Funds**

	<b>Food Service Fund</b>	<b>Designated Purpose Grants Fund</b>	<b>Pupil Activity Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 32,100	\$ -	\$ 500	\$ -	\$ 32,600
Receivables	-	43,660	-	-	43,660
Due from other funds	99,140	17,726	4,630	104,603	226,099
Receivable from agency fund	-	-	65,132	-	65,132
Inventories	8,596	-	-	-	8,596
Total assets	<u>\$ 139,836</u>	<u>\$ 61,386</u>	<u>\$ 70,262</u>	<u>\$ 104,603</u>	<u>\$ 376,087</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities:					
Payable to agency fund	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued salaries and benefits	50,611	61,386	-	-	111,997
Total liabilities	<u>50,611</u>	<u>61,386</u>	<u>-</u>	<u>-</u>	<u>111,997</u>
Fund balances:					
Nonspendable	8,596	-	-	-	8,596
Assigned	80,629	-	70,262	104,603	255,494
Total fund balances	<u>89,225</u>	<u>-</u>	<u>70,262</u>	<u>104,603</u>	<u>264,090</u>
Total liabilities and fund balances	<u>\$ 139,836</u>	<u>\$ 61,386</u>	<u>\$ 70,262</u>	<u>\$ 104,603</u>	<u>\$ 376,087</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Special Revenue Funds</b>				
	<b>Food Service Fund</b>	<b>Designated Purpose Grants Fund</b>	<b>Pupil Activity Fund</b>	<b>Capital Projects Fund</b>	<b>Total Nonmajor Governmental Funds</b>
<b>REVENUES</b>					
Local sources	\$ 186,962	\$ -	\$ 103,464	\$ -	\$ 290,426
State sources	5,656	-	-	-	5,656
Federal sources	194,211	299,590	-	-	493,801
Total revenues	<u>386,829</u>	<u>299,590</u>	<u>103,464</u>	<u>-</u>	<u>789,883</u>
<b>EXPENDITURES</b>					
Instruction	-	235,529	197,593	3,563	436,685
Athletics	-	-	455,996	3,099	459,095
Supporting services					
Instructional staff	-	64,061	-	113,800	177,861
Operations and maintenance	-	-	-	693,247	693,247
Student transportation	-	-	-	64,665	64,665
Food service operations	489,139	-	-	-	489,139
Community services	-	-	-	2,424	2,424
Total expenditures	<u>489,139</u>	<u>299,590</u>	<u>653,589</u>	<u>880,798</u>	<u>2,323,116</u>
Excess (deficiency) of revenues over expenditures	<u>(102,310)</u>	<u>-</u>	<u>(550,125)</u>	<u>(880,798)</u>	<u>(1,533,233)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	<u>120,000</u>	<u>-</u>	<u>525,000</u>	<u>600,000</u>	<u>1,245,000</u>
Total other financing sources and (uses)	<u>120,000</u>	<u>-</u>	<u>525,000</u>	<u>600,000</u>	<u>1,245,000</u>
Net change in fund balances	17,690	-	(25,125)	(280,798)	(288,233)
Fund balances - beginning	<u>71,535</u>	<u>-</u>	<u>95,387</u>	<u>385,401</u>	<u>552,323</u>
Fund balances - ending	<u>\$ 89,225</u>	<u>\$ -</u>	<u>\$ 70,262</u>	<u>\$ 104,603</u>	<u>\$ 264,090</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**FOOD SERVICE FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Local sources	\$ 150,000	\$ 186,962	\$ 36,962
State sources	5,000	5,656	656
Federal sources			
School breakfast	45,000	42,573	(2,427)
School lunch	140,000	127,546	(12,454)
Commodities	23,500	24,092	592
Total federal sources	208,500	194,211	(14,289)
Total revenues	363,500	386,829	23,329
<b>EXPENDITURES</b>			
Salaries	183,621	191,249	(7,628)
Employee benefits	80,041	77,971	2,070
Purchased services	7,500	4,230	3,270
Supplies	210,000	191,765	18,235
Equipment	10,000	517	9,483
Commodities utilization	23,500	23,407	93
Other	3,000	-	3,000
Contingency reserves	37,373	-	37,373
Total expenditures	555,035	489,139	65,896
Excess (deficiency) of revenues over expenditures	(191,535)	(102,310)	89,225
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	120,000	120,000	-
Total other financing sources (uses)	120,000	120,000	-
Net change in fund balances	(71,535)	17,690	89,225
Fund balances - beginning	71,535	71,535	-
Fund balances - ending	\$ -	\$ 89,225	\$ 89,225

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**DESIGNATED-PURPOSE GRANTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>REVENUES</b>			
Federal sources	\$ 319,557	\$ 299,590	\$ (19,967)
Total revenues	<u>319,557</u>	<u>299,590</u>	<u>(19,967)</u>
<b>EXPENDITURES</b>			
Instruction	250,543	235,529	15,014
Supporting services			
Student support	10,000	-	10,000
Instructional staff	59,014	64,061	(5,047)
Total expenditures	<u>319,557</u>	<u>299,590</u>	<u>19,967</u>
Net change in fund balances	-	-	-
Fund balances - beginning	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**PUPIL ACTIVITY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
Local sources	\$ 100,000	\$ 103,464	\$ 3,464
Total revenues	<u>100,000</u>	<u>103,464</u>	<u>3,464</u>
<b>EXPENDITURES</b>			
Instruction	204,420	197,593	6,827
Athletics	475,580	455,996	19,584
Contingency reserves	40,387	-	40,387
Total expenditures	<u>720,387</u>	<u>653,589</u>	<u>66,798</u>
Excess (deficiency) of revenues over expenditures	<u>(620,387)</u>	<u>(550,125)</u>	<u>70,262</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>525,000</u>	<u>525,000</u>	<u>-</u>
Net change in fund balances	(95,387)	(25,125)	70,262
Fund balances - beginning	<u>95,387</u>	<u>95,387</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 70,262</u></u>	<u><u>\$ 70,262</u></u>

See the accompanying independent auditors' report.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES**  
**BUDGET AND ACTUAL**  
**CAPITAL PROJECTS FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>EXPENDITURES</b>			
Instruction	\$ 3,563	\$ 3,563	\$ -
Athletics	3,099	3,099	-
Supporting services			
Instructional staff	113,806	113,799	7
Operations and maintenance	708,642	693,248	15,394
Student transportation	66,386	64,665	1,721
Community services	-	2,424	(2,424)
Contingency reserves	89,905	-	89,905
	<u>985,401</u>	<u>880,798</u>	<u>104,603</u>
Excess (deficiency) of revenues over expenditures	<u>(985,401)</u>	<u>(880,798)</u>	<u>104,603</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Total other financing sources (uses)	<u>600,000</u>	<u>600,000</u>	<u>-</u>
Net change in fund balances	(385,401)	(280,798)	104,603
Fund balances - beginning	<u>385,401</u>	<u>385,401</u>	<u>-</u>
Fund balances - ending	<u><u>\$ -</u></u>	<u><u>\$ 104,603</u></u>	<u><u>\$ 104,603</u></u>

See the accompanying independent auditors' report.

## **FIDUCIARY FUNDS**

Fiduciary Funds are used to account for assets held by the District in a trustee capacity. The District has the following Fiduciary Fund:

### *Agency Fund*

This fund was created to act as custodian for various student groups and activity funds.

**EL PASO COUNTY SCHOOL DISTRICT NO. 14**  
**STATEMENT OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES**  
**AGENCY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2018**

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>ASSETS</b>				
Cash and cash equivalents	\$ 506,025	\$ 619,199	\$ (559,163)	\$ 566,061
Total assets	<u>\$ 506,025</u>	<u>\$ 619,199</u>	<u>\$ (559,163)</u>	<u>\$ 566,061</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 523	\$ 3,026	\$ -	\$ 3,549
Payable to primary government	90,259	65,132	(90,259)	65,132
Payable to student organizations	415,243	551,041	(468,904)	497,380
Total liabilities	<u>\$ 506,025</u>	<u>\$ 619,199</u>	<u>\$ (559,163)</u>	<u>\$ 566,061</u>

See the accompanying independent auditors' report.





**INDEPENDENT AUDITORS' REPORT ON  
COLORADO SCHOOL DISTRICT/BOCES  
AUDITOR'S INTEGRITY REPORT**

To the Board of Education  
El Paso County School District No. 14

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso County School District No. 14, as of and for the year ended June 30, 2018, which collectively comprise El Paso County School District No. 14's basic financial statements, and our report thereon dated December 21, 2018, which expressed an unmodified opinion on those financial statements, appears as listed in the table of contents.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the El Paso County School District No. 14's financial statements. The accompanying *Colorado School District/BOCES, Auditor's Integrity Report* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 as a whole.

*Hoelting & Company, Inc.*

Colorado Springs, Colorado  
December 21, 2018



**Colorado Department of Education**  
**Report View of Auditors Integrity Report**  
 District: 1030 - MANITOU SPRINGS 14  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>	+		-	=
10 General Fund	3,719,902	13,780,648	13,899,033	3,601,517
18 Risk Mgmt Sub-Fund of General Fund	29,118	210,000	208,784	30,334
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>3,749,020</b>	<b>13,990,648</b>	<b>14,107,817</b>	<b>3,631,851</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
21 Food Service Spec Revenue Fund	71,535	506,829	489,139	89,225
22 Govt Designated-Purpose Grants Fund	0	299,590	299,590	0
23 Pupil Activity Special Revenue Fund	95,387	628,464	653,590	70,262
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,068,460	668,143	759,700	976,903
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	385,401	600,000	880,798	104,603
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>5,369,803</b>	<b>16,693,673</b>	<b>17,190,634</b>	<b>4,872,843</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	415,243	551,041	468,904	497,380
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>415,243</b>	<b>551,041</b>	<b>468,904</b>	<b>497,380</b>

FINAL