

***Deer Trail School District No. 26-J***  
**Deer Trail, Colorado**

**Financial Statements**

**For the Year Ended June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 9:14 am, Dec 02, 2016*

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## **Independent Auditors' Report**

Board of Education  
Deer Trail School District No. 26-J  
Deer Trail, Colorado

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Trail School District No. 26-J (the District), as of and for the year ended June 30, 2016, 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 7, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Deer Trail School District 26J, we offer readers of Deer Trail School District 26J (the District) financial statements this narrative overview and analysis of the financial activities of Deer Trail School District 26J for the fiscal year ended June 30, 2016.

### **Financial Highlights**

- The liabilities of Deer Trail School District 26J exceeded its assets at the close of the most recent fiscal year by \$683,913.
- Deer Trail School District 26J's total net position decreased by \$274,373.
- As of the close of the current fiscal year, Deer Trail School District 26J's governmental funds reported a combined ending fund balance of \$910,908.

### **Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements presented are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains supplementary information in addition to the basic financial statements themselves.

### **Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District 26J is improving or deteriorating.

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

The government-wide statement of activities distinguishes functions/programs of Deer Trail School District 26J supported primarily by Per Pupil Operating Revenue. The governmental activities of Deer Trail School District 26J include instruction and supporting services.

The government-wide financial statements can be found on pages 8-11 of this report.

### **Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has two types of funds: governmental funds and fiduciary funds.

### **Governmental Funds**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for government-wide financial statements. By doing so, the readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenue, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District has used three Governmental Funds in the past. They are the General Fund, which is the largest fund, encompassing most of the District's revenues and expenditures. The Special Revenue Funds include the Capital Reserve Fund and the Food Service Fund.

The basic governmental fund financial statements can be found on pages 12-15 of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the General Fund and the Special Revenue Funds are included on pages 44, 58 and 60 of this report to demonstrate compliance with the adopted budget.

### **Fiduciary Funds**

The District is the agent, or fiduciary, for assets that belong to others such as the student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

The basic fiduciary fund financial statements can be found on page 16 of this report.

### **Government-Wide Financial Analysis**

The District had a decrease in net position from Governmental Activities of \$274,373 for the year.

#### **Deer Trail School District 26J's Statement of Net Position Two-Year Comparison**

	As of June 30, 2015	As of June 30, 2016
	Governmental Activities	Governmental Activities
Current Assets	1,065,250	1,116,001
Capital Assets	<u>2,844,432</u>	<u>2,674,217</u>
<b>Total Assets</b>	3,909,682	3,790,218
Deferred outflows of resources	<u>199,310</u>	<u>701,660</u>
<b>Total assets and deferred outflows</b>	<u>4,108,992</u>	<u>4,491,878</u>
Current Liabilities	233,915	186,863
Long-Term Liabilities	<u>4,150,953</u>	<u>4,852,023</u>
<b>Total Liabilities</b>	4,384,868	5,038,886
Deferred inflows of resources	133,664	136,905
Net investment in capital assets	2,607,801	2,501,130
Restricted	107,763	137,290
Unrestricted	<u>(3,125,104)</u>	<u>(3,322,333)</u>
<b>Total Net Position</b>	<u>(409,540)</u>	<u>(683,913)</u>
<b>Total liabilities, deferred inflows and net position</b>	<u>4,108,992</u>	<u>4,491,878</u>

**Deer Trail School District 26J's Changes in Net Position  
Two-Year Comparison**

	As of June 30, 2015	As of June 30, 2016
	Governmental Activities	Governmental Activities
<b>Revenues:</b>		
<b>Program Revenues:</b>		
Charges for Services	32,883	21,290
Operating Grants and Contributions	265,138	240,737
Capital Grants	95,269	412
<b>General Revenues:</b>		
Tax Revenues	930,505	995,418
Unrestricted State Aid	1,220,745	1,233,551
Investment Earnings	676	1,007
Other Revenues	<u>97,591</u>	<u>88,026</u>
<b>Total Revenues</b>	<u>2,642,807</u>	<u>2,580,441</u>
<b>Expenses:</b>		
<b>Governmental Activities:</b>		
Instructional Programs	1,490,442	1,470,349
Supporting Services	1,090,184	1,203,966
Depreciation	169,440	172,092
Interest-Long term debt	<u>9,308</u>	<u>8,407</u>
<b>Business-type Activities:</b>		
Food Service		
<b>Total Expenses</b>	<u>2,759,374</u>	<u>2,854,814</u>
Change in Net Position	(116,567)	(274,373)
Beginning Net Position	<u>(292,973)</u>	<u>(409,540)</u>
Ending Net Position (deficit)	<u>(409,540)</u>	<u>(683,913)</u>

**Fund Level Financial Analysis**

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements.

The General Fund is the largest of the District's funds. The fund balance at the beginning of the 2015-2016 fiscal year was \$681,930. The ending fund balance for 2015-2016 of \$741,853 reflects a fund balance increase of \$59,923.

**General Fund Budgetary Highlights**

The District Board adopted the 2015-2016 Budget and an appropriation resolution for \$3,407,512 on June 22, 2015. A revised budget and a new appropriation resolution for \$3,413,407 were adopted on January 25, 2016. The adoption of the budget and the revised budget appear to be within the deadlines established by Colorado statute for school districts.

The detail of the adopted/appropriated amounts is included in the table below:

<u>Fund</u>	<u>Adopted 6/22/2015</u>	<u>Revised 1/25/2016</u>
General	\$ 2,887,162	\$ 2,893,057
Capital Reserve/Capital Projects	260,200	260,200
Food Service	145,050	145,050
Student Activity	<u>115,100</u>	<u>115,100</u>
<b>Total Budget/Appropriation</b>	<u>\$ 3,407,512</u>	<u>\$ 3,413,407</u>

### **Capital Assets**

The District acquired \$34,979 in capital assets during the 2015-16 school year, consisting of a pool boiler (\$26,070) and remaining costs to finish the playground (\$8,909). The District reported net capital assets of \$2,674,217 in its governmental activities.

### **Long-Term Debt**

At year-end, the School District's long-term debt of \$4,852,023 represented its compensated absences of \$20,107, capital lease obligations of \$173,088 and net pension liability of \$4,658,828.

### **Economic Factors and Next Year's Budget**

Each year, the adoption of the budget must ensure quality education for all students and fiscal stability in ever changing political and economic conditions. Many factors, including the state's financial condition, increasing cost of health insurance, and declining versus growth in student enrollment must be considered in budget preparation. This year the district has placed an emphasis on attracting and retaining higher quality teaching staff.

The December 8th, 2015 Board Meeting resulted in the BOE selecting new health insurance for the Deer Trail School District staff. Employees are reporting an increase in quality care. The district is realizing slight savings in premiums.

There is a possibility that the school district could see an increase in student population due to the new sub-division being built in the community. While the district lost several students from the last two years, there were new students from the sub-division this year which resulted in a net gain of 2.5 students. The 2016 school year to date shows an additional increase of slightly over two students with additional students anticipated after the Labor Day holiday.

The negative factor, resulting in a 1.2 billion dollar a year shortfall statewide, has affected the Deer Trail School District as well. A yearly shortfall since 2008 has resulted in a loss of almost \$318,000.00 every year since 2008. It is hoped that the Governor, Lt Governor and Legislators will realize the effect this has on education state wide and provide the leadership to correct this. There is no indication that leadership of this type will take place any time soon from these elected officials.

In November of 2000, voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision stabilizes and removes funding from the political process. As a result of this provision, the single most important factor in projecting school revenues is estimated future inflation.

Building maintenance is a concern with very limited funds to support maintenance and an aging building. The Board of Education has agreed to move forward seeking funding from the community, along with a BEST grant for a new facility. The current aging building exhibits student safety concerns along with limitations to the desired level of instructional programing. In the last year the district has lost the use of the pool located in the current school due to a long term postponed maintenance program. Other areas of the school are showing the same concerns.

### **Request for Information**

This financial report is designed to provide a general overview of Deer Trail School District 26J's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Deer Trail School District 26J, P.O. Box 129, Deer Trail, Colorado, 80105.

## **Basic Financial Statements**

The basic financial statements of the District include the following:

*Government-wide financial statements.* The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

*Fund financial statements.* The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

*Notes to the financial statements.* The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities
Assets	
Cash	\$ 922,358
Cash with fiscal agent	9,849
Investments	144,814
Due from fiduciary fund	6,685
Receivables	29,306
Inventory	2,989
Capital assets, net of depreciation	<u>2,674,217</u>
Total assets	3,790,218
Deferred outflows of resources	
Pension deferrals	<u>701,660</u>
Total assets and deferred outflows of resources	<u>\$ 4,491,878</u>
Liabilities	
Accounts payable	\$ 41,213
Accrued salaries and benefits	145,650
Noncurrent liabilities	
Due within one year	62,390
Due in more than one year	<u>4,789,633</u>
Total liabilities	5,038,886
Deferred inflows of resources	
Pension deferrals	<u>136,905</u>
Total deferred inflows of resources	136,905
Net position	
Net investment in capital assets	2,501,130
Restricted for:	
Emergencies	75,000
Colorado preschool program	19,324
Food service operations	42,966
Unrestricted	<u>(3,322,333)</u>
Total net position (deficit)	<u>(683,913)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 4,491,878</u>

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

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**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,470,349	\$ 6,113	\$ 169,252	
Supporting services				
Students	45,764			
Instructional staff	40,706		7,513	
General administration	197,409			
School administration	192,390			
Business services	82,155			
Operations and maintenance	254,447			
Student transportation	90,593		17,449	
Central support services	132,767			
Food service operations	131,558	15,177	46,523	
Community services	31,288			
Facilities acquisition	4,889			\$ 412
Unallocated depreciation *	172,092			
Interest on long-term obligations	8,407			
Total primary government	<u>\$ 2,854,814</u>	<u>\$ 21,290</u>	<u>\$ 240,737</u>	<u>\$ 412</u>

General revenues  
 Taxes  
   Property taxes, levied for general purposes  
   Specific ownership taxes  
   Delinquent taxes and interest  
 State categorical aid  
 Earnings on investments  
 Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

\* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

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Net (Expenses)  
Revenues and  
Change in  
Net Position

Total  
Governmental  
Activities

\$ (1,294,984)

(45,764)  
(33,193)  
(197,409)  
(192,390)  
(82,155)  
(254,447)  
(73,144)  
(132,767)  
(69,858)  
(31,288)  
(4,477)  
(172,092)  
(8,407)

(2,592,375)

924,513  
69,638  
1,267  
1,233,551  
1,007  
88,026

2,318,002

(274,373)

(409,540)

\$ (683,913)

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Assets</b>				
Cash	\$ 756,292	\$ 123,100	\$ 42,966	\$ 922,358
Cash with fiscal agent	9,849			9,849
Investments	144,814			144,814
Property taxes receivable	25,229			25,229
Due from other funds	6,685			6,685
Other receivables	4,077			4,077
Inventories			2,989	2,989
<b>Total assets</b>	<b>\$ 946,946</b>	<b>\$ 123,100</b>	<b>\$ 45,955</b>	<b>\$ 1,116,001</b>
<b>Liabilities</b>				
Accounts payable	\$ 41,214			\$ 41,214
Accrued salaries and benefits	145,650			145,650
<b>Total liabilities</b>	<b>186,864</b>	<b>\$ -</b>	<b>\$ -</b>	<b>186,864</b>
<b>Deferred inflows of resources</b>				
Deferred property tax revenues	18,229			18,229
<b>Total deferred inflows of resources</b>	<b>18,229</b>	<b>-</b>	<b>-</b>	<b>18,229</b>
<b>Fund balance</b>				
Nonspendable inventories			2,989	2,989
Restricted for:				
Emergencies	75,000			75,000
Colorado preschool program	19,324			19,324
Food service operations			42,966	42,966
Committed for capital projects		123,100		123,100
Unassigned	647,529			647,529
<b>Total fund balance</b>	<b>741,853</b>	<b>123,100</b>	<b>45,955</b>	<b>910,908</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 946,946</b>	<b>\$ 123,100</b>	<b>\$ 45,955</b>	<b>\$ 1,116,001</b>

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

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

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

Total fund balance - governmental funds	\$	910,908
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.		2,674,217
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		18,230
Long-term liabilities and related deferred outflows and inflows of resources, including capital lease obligations, compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		<u>(4,287,268)</u>
Net position (deficit) of the governmental activities	\$	<u><u>(683,913)</u></u>

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

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	Capital Reserve Capital Projects Fund	Other Governmental Fund	Total Governmental Funds
<b>Revenues</b>				
Local sources	\$ 1,074,818	\$ 103	\$ 15,195	\$ 1,090,116
Intermediate sources	18,804			18,804
State sources	1,386,525		929	1,387,454
Federal sources	32,577		45,594	78,171
<b>Total revenues</b>	<b>2,512,724</b>	<b>103</b>	<b>61,718</b>	<b>2,574,545</b>
<b>Expenditures</b>				
Instruction	1,335,218			1,335,218
Supporting services	1,011,887		127,126	1,139,013
Debt service				
Principal retirement	25,892	37,651		63,543
Interest and fiscal charges	4,841	3,566		8,407
<b>Total expenditures</b>	<b>2,377,838</b>	<b>41,217</b>	<b>127,126</b>	<b>2,546,181</b>
Excess of revenues over (under) expenditures	134,886	(41,114)	(65,408)	28,364
<b>Other financing sources (uses)</b>				
Transfers in			74,963	74,963
Transfers out	(74,963)			(74,963)
<b>Total other financing sources (uses)</b>	<b>(74,963)</b>	<b>-</b>	<b>74,963</b>	<b>-</b>
Net change in fund balance	59,923	(41,114)	9,555	28,364
Fund balance at beginning of year	681,930	164,214	36,400	882,544
Fund balance at end of year	<u>\$ 741,853</u>	<u>\$ 123,100</u>	<u>\$ 45,955</u>	<u>\$ 910,908</u>

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

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

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

Net change in fund balances - governmental funds	\$ 28,364
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(170,215)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	5,896
In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows, as well as accrued compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(201,961)
Repayment of principal on capital lease obligations are expenditures in the governmental funds, but the repayment reduce the long-term debt liability in the statement of position.	<u>63,543</u>
Change in net position of governmental activities	<u>\$ (274,373)</u>

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

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

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	<u>Agency Funds</u>
Assets	
Cash	\$ 44,458
Total assets	<u>\$ 44,458</u>
Liabilities	
Due to student groups	\$ 37,773
Due to other funds	<u>6,685</u>
Total liabilities	<u>\$ 44,458</u>

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

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies**

This summary of the Deer Trail School District No. 26-J's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

**A.1 – Reporting entity**

The Deer Trail School District No. 26-J is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

**A.2 – Fund accounting**

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following are the District's major governmental funds:

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

The following is the District's nonmajor governmental fund:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following agency fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

**Note A.3 – Basis of presentation**

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.4 – Basis of accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

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 (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.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**A.5 – Encumbrances**

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

**A.6 – Short-term interfund receivables/payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

**A.7 – Inventories**

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

**A.8 – Capital assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	3-30 years
Transportation equipment	7-10 years
Other equipment	3-20 years

**A.9 – Compensated absences**

The Board of Education recognizes that there may be times when an employee is unable to fulfill the duties of his/her position due to a temporary medical problem. Therefore, paid leave is provided for full-time employees in accordance with District policy.

All full-time certified employees shall be granted six leave days per year, which may be accumulated up to sixty days total. Upon termination of employment, certified staff will be paid \$40 per day for unused sick leave accumulated after 2001; amounts earned prior to 2001 shall be paid \$25 per day.

All full-time classified employees shall be granted nine leave days per year, which may be accumulated up to thirty days total. Upon termination of employment, classified staff will be paid \$25 per day for unused sick leave.

The entire compensated absences liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "accrued compensated absences" in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The amounts recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of the compensated absences, using the rates in effect at the balance sheet date.

**A.10 – Accrued liabilities and long-term obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available resources. Capital lease obligation and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**A.11 – Fund balance**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different type of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

*Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

*Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

*Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

*Unassigned* fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

**A.12 – Net position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**A.13 – Interfund transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

**A.14 – Extraordinary and special items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note B – Cash and investments**

**Cash and deposits**

Colorado State statutes govern the District’s deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government’s name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$977,558, of which \$250,000 was insured and \$727,558 was collateralized with securities held by the pledging institution’s trust department or agent in the District’s name.

**Investments**

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

- Obligations of the U.S. Government such as treasury bills, notes and bonds
- Certain international agency securities
- General obligation and revenue bonds of United States local government entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At year-end, the District had the following investments. The investment in Colotrust (a local government investment pool) is maintained in the General Fund.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colotrust	\$ 144,814	\$ 144,814	\$ -	\$ -

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note B – Cash and investments (Continued)**

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. The District invests funds in Colotrust, a state investment pool operated under C.R.S. 24-75-701, with the Colorado Securities Commissioner having oversight authority. The pool operates similar to a 2a-7-like money market fund with a share value equal to \$1.00 and a maximum weighted average maturity of 60 days. At year-end, the District’s investment in Colotrust was rated AAA by Standard and Poor’s, Fitch Ratings and Moody’s Investors Service.

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash	\$ 966,816
Investment in Colotrust	<u>144,814</u>
Total	<u>\$ 1,111,630</u>
<u>Statement of net position</u>	
Cash	\$ 922,358
Investments	<u>144,814</u>
Subtotal	1,067,172
<u>Statement of fiduciary net position</u>	
Cash	<u>44,458</u>
Total	<u>\$ 1,111,630</u>

**Note C – Receivables**

Receivables at year-end consist of the following:

	<u>Governmental Receivables</u>
Property taxes receivable	\$ 25,229
Other receivables	<u>4,077</u>
Total	<u>\$ 29,306</u>

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note C – Receivables (Continued)**

Property taxes are levied on December 15<sup>th</sup> and attach as a lien on property the following January 1<sup>st</sup>. They are payable in full by April 30<sup>th</sup> or are due in two equal installments on February 28<sup>th</sup> and June 15<sup>th</sup>. Adams and Arapahoe Counties bill and collect property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

**Note D – Interfund transactions**

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
General fund	\$ -	\$ 74,963
Other governmental funds	<u>74,963</u>	<u>-</u>
Total	<u>\$ 74,963</u>	<u>\$ 74,963</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$74,963 from the General Fund to the Other Governmental Fund to subsidize the costs of maintaining the District's food service operations.

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General Fund	\$ 6,685	\$ -
<u>Fiduciary funds</u>		
Pupil Activity Agency Fund	<u>-</u>	<u>6,685</u>
Total	<u>\$ 6,685</u>	<u>\$ 6,685</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note E – Capital assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 210,557	\$ -	\$ -	\$ 210,557
Total capital assets, not being depreciated	210,557	-	-	210,557
Capital assets, being depreciated:				
Buildings and improvements	5,617,202	-	-	5,617,202
Transportation equipment	573,526	-	-	573,526
Other equipment	<u>937,703</u>	<u>34,979</u>	<u>-</u>	<u>972,682</u>
Total capital assets, being depreciated	<u>7,128,431</u>	<u>34,979</u>	<u>-</u>	<u>7,163,410</u>
Total capital assets	7,338,988	34,979	-	7,373,967
Less accumulated depreciation for:				
Buildings and improvements	(3,356,256)	(151,785)	-	(3,508,041)
Transportation equipment	(360,833)	(30,634)	-	(391,467)
Other equipment	<u>(777,467)</u>	<u>(22,775)</u>	<u>-</u>	<u>(800,242)</u>
Total accumulated depreciation	<u>(4,494,556)</u>	<u>(205,194)</u>	<u>-</u>	<u>(4,699,750)</u>
Governmental activities capital assets, net	<u>\$ 2,844,432</u>	<u>\$ (170,215)</u>	<u>\$ -</u>	<u>\$ 2,674,217</u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Instruction	\$ 3,116
Operations and maintenance	8,696
Student transportation	19,081
Food service operations	2,101
Community services	108
Unallocated	<u>172,092</u>
Total	<u>\$ 205,194</u>

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note F – Accrued salaries and benefits**

Salaries and 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 not paid at year-end are estimated to be \$145,650. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

**Note G – Long-term debt**

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 18,260	\$ 1,847	\$ -	\$ 20,107	\$ -
Capital lease obligations	236,631	-	(63,543)	173,088	62,390
Net pension liability	<u>3,959,605</u>	<u>699,223</u>	<u>-</u>	<u>4,658,828</u>	<u>-</u>
 Total	 <u>\$ 4,214,496</u>	 <u>\$ 701,070</u>	 <u>\$ (63,543)</u>	 <u>\$ 4,852,023</u>	 <u>\$ 62,390</u>

Payments on the capital lease obligations are made in the General and Capital Reserve Capital Projects Funds, while the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported. The pension liability attributable to the governmental activities will be liquidated primarily by the General Fund.

**Capital lease obligations**

Facility improvements – In October 2007, the District entered into an agreement with Sun Trust Leasing Corporation to finance certain facility improvements. The agreement called for a lease term of one year with annual renewal options. Quarterly payments of \$7,683 are due on January 5<sup>th</sup>, April 5<sup>th</sup>, July 5<sup>th</sup> and October 5<sup>th</sup> of each year, with a final payment due in 2019. The average interest rate over the lease term is 4.45%. The capital lease obligation is secured by the facility improvements. The District has capitalized \$284,552 of assets under this capital lease.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note G – Long-term debt (Continued)**

Bus acquisition – In June 2012, the District entered into an agreement with Daimler Truck Financial to finance the purchase of a 2013 Thomas school bus. The agreement called for a lease term of one year with annual renewal options. Monthly payments of \$1,799 are due on the first of each month, with a final payment due in 2017. The average interest rate over the lease term is 2.75%. The District has capitalized \$100,104 of assets under this capital lease.

Bus acquisition – In November 2014, the District entered into an agreement with Mercedes-Benz Financial Services USA LLC to finance the purchase of a 2015 Thomas school bus. The agreement called for a lease term of one year with annual renewal options. Monthly payments of \$1,632 are due on the first of each month, with a final payment due in 2019. The average interest rate over the lease term is 3.62%. The District has capitalized \$89,418 of assets under this capital lease.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2017	\$ 68,302
2018	50,316
2019	50,316
2020	<u>15,843</u>
Total minimum lease payments	184,777
Less amount representing interest	<u>(11,689)</u>
Present value of future net minimum lease payments	<u>\$ 173,088</u>

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan**

Summary of significant accounting policies

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

General information about the pension plan

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

*Benefits provided.* 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. Section 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.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), 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% 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.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

*Contributions.* Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 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, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>17.33%</u></u>	<u><u>18.13%</u></u>

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$247,545 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$4,658,828 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

At December 31, 2015, the District's proportion was 0.0305 percent, which was a decrease of 0.0013 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$447,659. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 61,520	\$ 194
Changes of assumptions or other inputs	-	65,837
Net difference between projected and actual earnings on pension plan investments	396,131	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	119,682	70,874
Contributions subsequent to the measurement date	<u>124,327</u>	<u>-</u>
Total	<u>\$ 701,660</u>	<u>\$ 136,905</u>

\$124,327 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2017	\$ 106,862
2018	119,403
2019	132,933
2020	<u>81,230</u>
Totals	<u>\$ 440,428</u>

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Future 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

Mortality rates were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back 1 year, and females set back 2 years.

The actuarial assumptions used in the December 31, 2014 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA’s Board on November 13, 2012, and an economic assumption study, adopted by PERA’s Board on November 15, 2013 and January 17, 2014.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using 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 November 15, 2013 adoption of the long-term expected real rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	26.76%	5.00%
U.S. equity – small cap	4.40%	5.19%
Non U.S. equity – developed	22.06%	5.29%
Non U.S. equity – emerging	6.24%	6.76%
Core fixed income	24.05%	0.98%
High yield	1.53%	2.64%
Long duration government credit	0.53%	1.57%
Emerging market bonds	0.43%	3.04%
Real estate	7.00%	5.09%
Private equity	<u>7.00%</u>	7.15%
 Total	 <u>100.00%</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projects 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 3.90%.
- 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, including current and estimate 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 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.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 6,039,203	\$ 4,658,828	\$ 3,510,614

*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).

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note I – Defined contribution pension plan**

Voluntary Investment Program

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

*Funding policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program members contributed \$9,325 for the Voluntary Investment Program.

**Note J – Other postemployment benefits**

Health Care Trust Fund

*Plan description.* The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and 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 health care subsidies. PERA issues a publicly available comprehensive financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding policy.* The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$13,603, \$12,839, and \$12,397, respectively, equal to their required contributions for each year.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note K – Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverage through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverage. The District's contribution for the year was \$23,281. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

**Note L – Commitments and contingencies**

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 3, 1998, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$75,000 for the emergency reserve.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to Financial Statements**

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**Note M – Joint ventures**

**East Central Board of Cooperative Educational Services**

The District participates in the East Central Board of Cooperative Educational Services (BOCES), an administrative unit serving 21 area school districts.

**Prairie Creeks Charter School**

The District participates in the Prairie Creeks Charter School (Charter School), a joint venture charter school created in conjunction with other surrounding school districts.

These joint ventures do not meet the criteria for inclusion within the reporting entity because the BOCES and Charter School:

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

The District has one member on the board of each entity. These boards have final authority for all budgeting and financing of the joint ventures.

Separate financial statements of the East Central Board of Cooperative Educational Services and the Prairie Creeks Charter School are available by contacting their administrative offices in Limon, Colorado and Strasburg, Colorado, respectively.

For the year, the District's contributions to the BOCES and the Charter School were \$66,759 and \$27,015, respectively.

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### **Required Supplementary Information**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District’s Proportionate Share of the Net Pension Liability
- Schedule of District Contributions
- Notes to the Required Supplementary Information

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 997,138	\$ 1,003,138	\$ 1,074,818	\$ 71,680
Intermediate sources			18,804	18,804
State sources	1,391,347	1,367,737	1,386,525	18,788
Federal sources	31,677	31,500	32,577	1,077
Total revenues	2,420,162	2,402,375	2,512,724	110,349
Expenditures				
Instruction	1,622,670	1,615,685	1,335,218	280,467
Supporting services	1,135,119	1,147,999	1,011,887	136,112
Debt service				
Principal	25,895	25,895	25,892	3
Interest and fiscal charges	4,845	4,845	4,841	4
Reserve for contingency	98,633	98,633		98,633
Total expenditures	2,887,162	2,893,057	2,377,838	515,219
Excess of revenues over (under) expenditures	(467,000)	(490,682)	134,886	625,568
Other financing uses				
Transfers out	(108,000)		(74,963)	(74,963)
Total other financing uses	(108,000)	-	(74,963)	(74,963)
Excess of revenues over (under) expenditures and other financing uses	\$ (575,000)	\$ (490,682)	59,923	\$ 550,605
Fund balance at beginning of year			681,930	
Fund balance at end of year			\$ 741,853	

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Schedule of the District's Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**June 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0304612180%	0.0292149357%
District's proportionate share of the net pension liability	\$ 4,658,828	\$ 3,959,605
District's covered-employee payroll	\$ 1,333,663	\$ 1,258,763
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.33%	314.56%
Plan fiduciary net position as a percentage of the total pension liabi	59.20%	62.84%

<sup>1</sup> Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Schedule of District Contributions <sup>1</sup>**  
**June 30, 2016**

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 247,545	\$ 225,410
Contributions in relation to the contractually required contribution	<u>(247,545)</u>	<u>(225,410)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,333,663	\$ 1,258,763
Contributions as a percentage of covered-employee payroll	18.56%	17.91%

<sup>1</sup> Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Notes to the Required Supplementary Information**

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**Note A – Budgetary data**

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to June 1, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America, except that depreciation is not budgeted as an expense in the Food Service Fund.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. Supplemental appropriations were not made during the year.
8. Appropriations lapse at year-end.

**Note B – Factors affecting trends in amounts reported in the pension schedules**

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions 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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### **Other Supplementary Information**

Other supplementary information includes financial statements and schedules that are not required by the Governmental Accounting Standards Board, not a part of the basic financial statements, but are presented for purposes of additional analysis.

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## **Budgetary Comparison 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 of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**General Fund**  
**Budgetary Comparison Schedule - Revenues**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Local sources</b>				
Property taxes	\$ 889,799	\$ 889,799	\$ 918,617	\$ 28,818
Specific ownership taxes	54,489	54,489	69,638	15,149
Delinquent taxes and interest			1,267	1,267
Earnings on investments	600	600	886	286
Pupil activities	4,500	4,500	2,695	(1,805)
Community service activities	5,000	5,000	3,418	(1,582)
Other local revenue	42,750	48,750	78,297	29,547
<b>Total local sources</b>	<b>997,138</b>	<b>1,003,138</b>	<b>1,074,818</b>	<b>71,680</b>
<b>Intermediate sources</b>			<b>18,804</b>	<b>18,804</b>
<b>State sources</b>				
Equalization	1,220,615	1,258,805	1,233,551	(25,254)
Vocational education	35,000	35,000	22,619	(12,381)
Tobacco policy grant	30,000	25,000	27,964	2,964
GOCO grant	56,800		412	412
ELPA professional development			4,013	4,013
English language proficiency			2,659	2,659
Transportation	20,000	20,000	17,449	(2,551)
State grants to libraries			3,500	3,500
Small rural schools funding			43,698	43,698
Additional at-risk funding			1,074	1,074
Services within the BOCES	28,932	28,932	29,586	654
<b>Total state sources</b>	<b>1,391,347</b>	<b>1,367,737</b>	<b>1,386,525</b>	<b>18,788</b>
<b>Federal sources</b>				
REAP		3,500		(3,500)
Services within the BOCES	31,677	28,000	32,577	4,577
<b>Total federal sources</b>	<b>31,677</b>	<b>31,500</b>	<b>32,577</b>	<b>1,077</b>
<b>Total revenues</b>	<b>\$ 2,420,162</b>	<b>\$ 2,402,375</b>	<b>\$ 2,512,724</b>	<b>\$ 110,349</b>

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**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures</b>				
<b>Instruction</b>				
Salaries	\$ 977,045	\$ 953,290	\$ 880,151	\$ 73,139
Employee benefits	321,770	321,590	264,209	57,381
Purchased services	170,535	187,485	117,671	69,814
Supplies and materials	131,950	131,950	63,281	68,669
Property	16,900	16,900	7,018	9,882
Other	4,470	4,470	2,888	1,582
<b>Total instruction</b>	<b>1,622,670</b>	<b>1,615,685</b>	<b>1,335,218</b>	<b>280,467</b>
<b>Supporting services</b>				
<b>Students</b>				
Salaries	3,500	3,500	3,300	200
Employee benefits	715	715	560	155
Purchased services	33,965	33,965	38,776	(4,811)
Supplies and materials	750	750	786	(36)
Other	100	100		100
<b>Total students</b>	<b>39,030</b>	<b>39,030</b>	<b>43,422</b>	<b>(4,392)</b>
<b>Instructional staff</b>				
Salaries	48,120	1,500	8,423	(6,923)
Employee benefits	15,645	310	2,582	(2,272)
Purchased services	9,545	18,545	17,875	670
Supplies and materials	4,500	5,000	10,563	(5,563)
<b>Total instructional staff</b>	<b>77,810</b>	<b>25,355</b>	<b>39,443</b>	<b>(14,088)</b>
<b>General administration</b>				
Salaries	112,800	102,000	102,000	-
Employee benefits	31,534	31,534	20,383	11,151
Purchased services	51,350	53,850	47,811	6,039
Supplies and materials	6,750	6,750	5,217	1,533
Other	5,615	5,615	6,699	(1,084)
<b>Total general administration</b>	<b>208,049</b>	<b>199,749</b>	<b>182,110</b>	<b>17,639</b>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	72,600	115,100	125,847	(10,747)
Employee benefits	32,560	34,955	27,430	7,525
Purchased services	17,750	18,000	16,677	1,323
Supplies and materials	3,500	3,500	2,527	973
Property	3,500	3,500	1,033	2,467
Other		3,000		3,000
Total school administration	129,910	178,055	173,514	4,541
Business services				
Salaries	40,825	40,825	38,541	2,284
Employee benefits	14,245	14,245	8,814	5,431
Purchased services	27,715	27,715	25,748	1,967
Supplies and materials	4,500	4,500	989	3,511
Property	2,000	2,000		2,000
Other	1,000	1,000	2,282	(1,282)
Total business services	90,285	90,285	76,374	13,911
Operations and maintenance				
Salaries	72,660	79,060	63,873	15,187
Employee benefits	20,260	22,900	12,750	10,150
Purchased services	63,150	63,450	39,579	23,871
Supplies and materials	132,990	149,290	115,225	34,065
Property	6,500	6,500	4,743	1,757
Total operations and maintenance	295,560	321,200	236,170	85,030
Student transportation				
Salaries	41,500	41,500	30,999	10,501
Employee benefits	14,150	14,150	5,987	8,163
Purchased services	31,000	30,850	18,800	12,050
Supplies and materials	27,500	27,500	10,555	16,945
Property	1,000	1,000		1,000
Other	250	250	522	(272)
Total student transportation	115,400	115,250	66,863	48,387

(continued)

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2016**

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Salaries	4,500	4,500	19,646	(15,146)
Employee benefits	7,350	7,350	9,492	(2,142)
Purchased services	92,245	92,245	66,320	25,925
Supplies and materials	24,500	24,500	29,123	(4,623)
Property	6,500	6,500	5,239	1,261
Other	750	750		750
Total central support services	135,845	135,845	129,820	6,025
Community services				
Salaries	17,120	17,120	15,538	1,582
Employee benefits	3,460	3,460	2,741	719
Purchased services	10,650	10,650	2,160	8,490
Supplies and materials	6,000	6,000	3,864	2,136
Property	1,000	1,000	26,070	(25,070)
Total community services	38,230	38,230	50,373	(12,143)
Facilities construction services				
Purchased services	5,000	5,000	8,909	(3,909)
Supplies and materials			4,889	(4,889)
Total facilities construction services	5,000	5,000	13,798	(8,798)
Total supporting services	1,135,119	1,147,999	1,011,887	136,112
Debt service				
Principal	25,895	25,895	25,892	3
Interest and fiscal charges	4,845	4,845	4,841	4
Total debt service	30,740	30,740	30,733	7
Reserve for contingency	98,633	98,633		98,633
Total expenditures	<u>\$ 2,887,162</u>	<u>\$ 2,893,057</u>	<u>\$ 2,377,838</u>	<u>\$ 515,219</u>

### **Nonmajor Governmental Fund**

The District reports the following nonmajor governmental fund:

Special Revenue Funds – These funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Food Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 18,050	\$ 18,050	\$ 15,195	\$ (2,855)
State sources			929	929
Federal sources	39,000	36,500	45,594	9,094
Total revenues	57,050	54,550	61,718	7,168
Food service operations				
Salaries and benefits	67,870	67,870	67,520	350
Purchased services	2,000	2,000	1,875	125
Supplies and materials	55,750	55,750	57,576	(1,826)
Property	2,000	4,000	71	3,929
Other	2,050	50	84	(34)
Reserve for contingency	15,380	15,380		15,380
Total expenditures	145,050	145,050	127,126	17,924
Excess of revenues over (under) expenditures	(88,000)	(90,500)	(65,408)	25,092
Other financing sources				
Transfers in	58,000	58,000	74,963	16,963
Excess of revenues and other financing sources over (under) expenditures	\$ (30,000)	\$ (32,500)	9,555	\$ 42,055
Fund balance at beginning of year			36,400	
Fund balance at end of year			\$ 45,955	

## **Budgetary Comparison Schedule – Capital Projects Fund**

The District reports the following major capital projects fund:

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund was established to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Capital Reserve Capital Projects Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 200	\$ 200	\$ 103	\$ (97)
Total revenues	200	200	103	(97)
Expenditures				
Capital outlay				
Purchased services	42,500	35,000		35,000
Property	70,000	77,500		77,500
Debt service				
Principal retirement	37,655	37,655	37,651	4
Interest and fiscal charges	3,510	3,510	3,566	(56)
Reserve for contingency	106,535	106,535		106,535
Total expenditures	260,200	260,200	41,217	218,983
Excess of revenues over (under) expenditures	(260,000)	(260,000)	(41,114)	218,886
Other financing sources				
Transfers in	50,000	50,000		(50,000)
Excess of revenues and other financing sources over (under) expenditures	\$ 310,200	\$ (210,000)	(41,114)	\$ 168,886
Fund balance at beginning of year			164,214	
Fund balance at end of year			\$ 123,100	

## **Budgetary Comparison Schedule – Fiduciary Fund**

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

**DEER TRAIL SCHOOL DISTRICT NO. 26-J**  
**Pupil Activity Agency Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Earnings on investments	\$ 100	\$ 100	\$ 22	\$ (78)
Fundraising and other events	90,000	90,000	61,907	(28,093)
Total additions	90,100	90,100	61,929	(28,171)
Deductions				
Pupil activity expenditures	105,000	105,000	68,593	36,407
Reserve for contingency	10,100	10,100		10,100
Total deductions	115,100	115,100	68,593	46,507
Excess of additions over (under) deductions	\$ (25,000)	\$ (25,000)	(6,664)	\$ 18,336
Due to student groups at beginning of year			44,437	
Due to student groups at end of year			\$ 37,773	

**Colorado Department of Education  
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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**Independent Auditors' Report on Auditors' Integrity Report**

Board of Education  
Deer Trail School District No. 26-J  
Deer Trail, Colorado

We have audited the financial statements of the Deer Trail School District No. 26-J (the District) as of and for the year ended June 30, 2016, and our report thereon dated October 7, 2016 which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the 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.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 7, 2016

**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 0170 - DEER TRAIL 26J  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6770-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>			
20.26.79 - Special Revenue Fund	36,400	136,681	45,955
21 - Food Service Spec Revenue Fund	0	0	0
22 - Govt Designated-Purpose Grants Fund	0	0	0
23 - Pupil Activity Special Revenue Fund	0	0	0
24 - Full Day Kindergarten Mill Levy Override	0	0	0
25 - Transportation Fund	0	0	0
31 - Bond Redemption Fund	0	0	0
39 - Certificate of Participation (COP) Debt Service Fund	0	0	0
41 - Building Fund	0	0	0
42 - Special Building Fund	0	0	0
43 - Capital Reserve Capital Projects Fund	184,214	103	123,100
<b>Total:</b>	<b>204,614</b>	<b>257,456</b>	<b>910,500</b>
<b>Proprietary</b>			
50 - Other Enterprise Funds	0	0	0
51 (51) - Rail-Related Activity Fund	0	0	0
60 (60-69) - Other Internal Service Funds	0	0	0
<b>Total:</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>			
70 - Other Trust and Agency Funds	0	0	0
72 - Private Purpose Trust Fund	0	0	0
73 - Agency Fund	0	0	0
74 - Pupil Activity Agency Fund	44,437	61,979	37,773
79 - GASB 34 Permanent Fund	0	0	0
85 - Foundations	0	0	0
<b>Total:</b>	<b>44,437</b>	<b>61,979</b>	<b>37,773</b>
<b>FINAL</b>			

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