

**HANOVER SCHOOL DISTRICT NO. 28**  
**EL PASO COUNTY, COLORADO**  
**BASIC FINANCIAL STATEMENTS**  
**WITH**  
**INDEPENDENT AUDITOR'S REPORT**  
**YEAR ENDED JUNE 30, 2016**



**RECEIVED**

*By Justin L. Smith at 12:04 pm, Jan 04, 2017*

**HANOVER SCHOOL DISTRICT NO. 28**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**JUNE 30, 2016**

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## **INDEPENDENT AUDITOR'S REPORT**

The Board of Education  
Hanover School District No. 28  
El Paso County, Colorado

I have audited the accompanying financial statements of the governmental activities, each major fund, of the Hanover School District No. 28, El Paso County, Colorado (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.

### **Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### **Opinions**

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

## **Other Matters**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions and related ratios, and budgetary comparison information shown as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not 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. I 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 principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

## **Other Information**

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The statements included in the other supplementary information section and Colorado Department of Education Auditor's Integrity Report are presented for additional analysis and are not a required part of the basic financial statements.

The other supplementary information and Colorado Department of Education Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Colorado Springs, Colorado  
September 15, 2016

A handwritten signature in dark ink, appearing to read "R. J. COLPAIN". The signature is written in a cursive style with some capital letters.

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# HANOVER SCHOOL DISTRICT No. 28

## Management's Discussion and Analysis 2015-2016

As management of the Hanover School District No. 28, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here.

### Financial Highlights

- The primary government has government-wide net position totaling \$(1,157,875) at the end of the current fiscal year.
- Governmental activities have unrestricted (deficit) net position of \$(4,420,623).
- Fund balance of the District's governmental funds increased by \$169,129 in 2015-2016.
- The Districts' long-term obligation debt decreased \$595,000 to \$5,330,000.

### Overview of the Financial Statements

The Management's Discussion and Analysis is intended to serve as an introduction to the District's financial statements. The Hanover School District No. 28's basic financial statements are comprised of two components, Basic Financial Statements and Supplemental Information. The Basic Financial Statements have the three sections: 1) Government-wide Financial Statements and 2) Fund Financial Statements, and 3) Notes to the Financial Statements. The Supplemental Information is comprised of the combining and individual fund statements and schedules.

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of Hanover School District No. 28's financial activities 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. The difference between assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying events occur, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: levied but uncollected property taxes and earned but unused employee's vacation leave).

The government-wide financial statements consolidate governmental that are principally supported by taxes and intergovernmental revenues. Governmental activities consolidate all

## HANOVER SCHOOL DISTRICT No. 28

of the following Hanover School District No. 28 funds: General Fund, Food Service Fund, Designated Purpose Grant Fund, Debt Service Fund and Pupil Activity Fund.

### **Fund Financial Statements**

These statements focus on individual parts of the District. The District's operations are in more detail than the government-wide statements.

### **Governmental Funds**

The governmental funds statements show how basic services such as instruction were financed in the short-term as well as what remains (fund balances) for the future spending (budgeting).

The District adopts an annual appropriate budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

### **Required Supplementary Information**

In addition to the financial statements and accompanying notes, this report also contains other required supplementary information concerning the District's Special Revenue Funds. The combining statements of the special revenue governmental funds are presented after the notes to the financial statements. A budgetary comparison schedule has been provided to the Special Revenue Funds to demonstrate compliance with its budget.

### **Government-wide Financial Analysis**

#### **Government-wide Net Position**

The assets of Hanover School District No. 28 are classified as current assets and capital assets. Cash, property taxes receivables and governmental accounts receivables are the current assets. These assets are available to provide the resources for the near-term operations of the District. Capital assets are used in the operations of the District. These assets include land, buildings, equipment and vehicles.

The liabilities of the District exceed assets by \$1,157,875. The only significant liabilities the district had in 2015-2016 school year is accounts payable of \$117,434, accrued salaries and benefits for teachers of \$247,288, accrued compensated absences of \$33,047 for employees and short and long-term general obligation bonds payable and bank notes payable of \$5,401,835. In addition, due to the implementation of GASB 68/71, the District recorded a net pension liability \$5,257,051, deferred outflows \$816,783 and deferred inflows of \$406,565.

## HANOVER SCHOOL DISTRICT No. 28

### Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Total % Change</u> 2016-2015
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	
<b>Assets</b>							
Current	\$ 1,674,025	\$ 1,400,250	\$ -	\$ -	\$ 1,674,025	\$ 1,400,250	
Capital/Net Depreciation	\$ 7,827,466	\$ 8,074,595	\$ -	\$ -	\$ 7,827,466	\$ 8,074,595	
<b>Total Assets</b>	<b>\$ 9,501,491</b>	<b>\$ 9,474,845</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 9,501,491</b>	<b>\$ 9,474,845</b>	0.3%
<b>Deferred Outflows or Resources</b>							
	\$ 816,783	\$ 254,043	\$ -	\$ -	\$ 816,783	\$ 254,043	
<b>Liabilities</b>							
Current	\$ 1,040,472	\$ 914,210	\$ -	\$ -	\$ 1,040,472	\$ 914,210	
Non-current Liabilities	\$ 10,029,112	\$ 10,439,034	\$ -	\$ -	\$ 10,029,112	\$ 10,439,034	
<b>Total Liabilities</b>	<b>\$ 11,069,584</b>	<b>\$ 11,353,244</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 11,069,584</b>	<b>\$ 11,353,244</b>	-2.5%
<b>Deferred Inflows of Resources</b>							
	\$ 406,565	\$ 165,939	\$ -	\$ -	\$ 406,565	\$ 165,939	
<b>Net Position</b>							
Invested in Capital, Net	\$ 2,411,298	\$ 2,090,681	\$ -	\$ -	\$ 2,411,298	\$ 2,090,681	
Restricted	\$ 851,450	\$ 791,946	\$ -	\$ -	\$ 851,450	\$ 791,946	
Unrestricted (deficit)	\$ (4,420,623)	\$ (4,672,922)	\$ -	\$ -	\$ (4,420,623)	\$ (4,672,922)	
<b>Total Net Position</b>	<b>\$ (1,157,875)</b>	<b>\$ (1,790,295)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,157,875)</b>	<b>\$ (1,790,295)</b>	-35.3%

The major change in the net position from 2014-15 to 2015-16 is depreciation expense, purchase of fixed assets, principal debt reduction, accrued interest expense, deferred outflows/inflows of resources and the net pension liability.

#### Net Position 2014-2015

	Governmental	Business-Type	Total
<b>Total Liabilities, Deferred Inflows and Net Position</b>	\$ 9,728,888	\$ 0	\$ 9,728,888

#### Net Position 2015-2016

	Governmental	Business-Type	Total
<b>Total Liabilities, Deferred Inflows and Net Position</b>	\$10,318,274	\$ 0	\$ 10,318,274

#### Government Activities/Business Type:

The governmental activities increased the net position of the District by \$632,420 during the current fiscal year ended June 30, 2016.

	Governmental	Business-Type	Total
Net position July 1, 2015	\$(1,790,295)	\$ -	\$(1,790,295)
Net position June 30, 2016	\$(1,157,875)	\$ -	\$(1,157,875)

## HANOVER SCHOOL DISTRICT No. 28

The following is a comparison of the District's general revenues, program revenues and governmental activities:

	<u>2015-2016</u>	<u>2014-2015</u>	<u>Increased (Decreased)</u>
<b>General Revenues:</b>			
Local Property Taxes	\$ 1,081,131	\$ 894,602	\$ 186,529
Specific Ownership Taxes	\$ 128,265	\$ 113,218	\$ 15,047
State Equilization	\$ 2,414,245	\$ 2,273,278	\$ 140,967
Other Revenues	\$ 219,482	\$ 191,479	\$ 28,003
<b>Program Revenues:</b>			
Charges for Services-Govt	\$ 61,604	\$ 42,919	\$ 18,685
Charges for Services-Food	\$ 15,191	\$ 18,404	\$ (3,213)
Operating Grant-Food	\$ 121,726	\$ -	\$ 121,726
Operating Grant-Instruct	\$ 212,983	\$ 258,642	\$ (45,659)
Operating-Transportation	\$ 82,746	\$ 80,742	\$ 2,004
<b>Total Revenues</b>	<u>\$ 4,337,373</u>	<u>\$ 3,873,284</u>	<u>\$ 464,089</u>
<b>Expenses:</b>			
Instruction/Co-curricular	\$ 1,782,130	\$ 1,821,218	\$ (39,088)
Support Services	\$ 1,733,315	\$ 1,782,007	\$ (48,692)
Food Services	\$ 189,508	\$ 182,058	\$ 7,450
<b>Total Government Expenses</b>	<u>\$ 3,704,953</u>	<u>\$ 3,785,283</u>	<u>\$ (80,330)</u>
<b>Change in New Position</b>	\$ 632,420	\$ 88,001	\$ 544,419
<b>Net Position Beginning of year, as restated</b>	\$ (1,790,295)	\$ (1,878,296)	\$ 88,001
<b>Net Position End of Year</b>	\$ (1,157,875)	\$ (1,790,295)	\$ 632,420

### Financial Analysis of the Government's Funds

Hanover School District No. 28 uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal and state requirements.

The General Fund is the primary major governmental fund (General Fund, Food Service Fund, Debt Service Fund, Pupil Activity Fund, Designated Purpose Grants Fund and Capital Projects Fund) for Hanover School District No. 28. The ending fund balance for the General Fund 2015-2016 is \$378,395 + Tabor and CPP reserves = \$479,888. The fund balance increased \$146,341 for 2015-2016.

The Special Revenue Funds (Food Service Fund, Designated Purpose Grants Fund and Pupil Activity Fund), Debt Service Fund and Capital Projects Fund are the remaining funds that make up the major governmental fund.

The Pupil Activity Fund balance was decreased by \$2,504. The decrease is attributable to lowered student fundraising efforts since this is the fund where all individual class fundraising is managed.

## HANOVER SCHOOL DISTRICT No. 28

The Debt Service Fund balance was increased by \$48,011 over 2015-2016. For the second year in a row, the assessed valuation dropped from a major property taxpayer. The deficit from 2014-2015 was recouped with an adjustment to the existing mill levy. Another adjustment in 2016-2017 will recoup the shortfall from 2015-2016.

The Food Service fund is funded by the sale of lunches and monies from the federal lunch, breakfast and summer programs. The General Fund supports the lunch fund, which required a transfer of \$41,549 for FY 2015-2016.

### **General Fund Budgetary Highlights**

The District budget is prepared according to Colorado law. The most significant budgeted fund is the General Fund.

Hanover School District No. 28 began budget development for the 2015-2016 budgets in February of 2015. In February all teaching staff and department heads are given budget request for their input into the needs of the District.

A mid-year analysis for 2015-2016 is completed in early March and enrollment projections and revenues estimated to begin a preliminary budget, which is submitted in first draft form to the Board of Education. The Accountability Committee, representing students, staff and citizens of the community review the budget prior to a Budget Workshop held in May. The Board has budget discussion on the draft proposed budget in April, May, and June. Adoption of the 2015-2016 District budget occurred on or before June 30, 2015.

No significant additional budget appropriations were made during the fiscal year to the General Fund budget.

The 2015-2016 budget included the following:

- A purchase of a bus in the amount of \$46,763 for student transportation.
- Received Small Rural School Funding in the amount of \$63,304 which allowed for some one-time purchases of technology items as well as security door and keypad entry systems for both schools.
- Title I to provide additional support to students.

### **Capital Assets and Debt Administration**

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$7,827,466. Additional information on the District's capital assets can be found in the notes of the Basic Financial Statements.

The District has General Obligations Bonds of \$5,330,000. Principal amounts retired during the year amounted to \$595,000.

## HANOVER SCHOOL DISTRICT No. 28

The District has two bank notes payable to the Kansas Bank of Manhattan one, in the amount of \$34,313 and two, in the amount of \$38,648 for the purchase of two small buses. Principal and interest payments for one are due in June and the other are due in September of each year.

Due to the implementation of Governmental Accounting Standards Board (GASB) 68 and 71, the District has recorded a net pension liability of \$5,257,051 as of June 30, 2016. The balance at June 30, 2015 was \$5,075,157, an increase of \$181,894.

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

Overall school budgets have decreased since 2009 in the state of Colorado due to the recession and the addition of a "negative factor" put in place by the state of Colorado in 2009. Over the past four years the district has seen a significant drop in funding from the state as a result of these funds being taken back out of the schools. For 2015-16 the negative factor is estimated at over \$368,000 less in the school budget. There has been a recent growth trend in the district and if this continues it will offset some of the funding deficits that have occurred in recent years.

### **Contacting the District's Financial Management**

This report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives and expends. If you have questions about this report or need additional financial information, contact the Business Management Office, Hanover School District No. 28, 17050 S. Peyton Hwy., Colorado Springs, CO 80928.

**BASIC FINANCIAL  
STATEMENTS**

**Hanover School District No. 28**  
**Statement of Net Position**  
**June 30, 2016**

	<b>Primary Governmental Activities</b>
<b>Assets</b>	
Current assets:	
Cash and cash equivalents	\$ 379,573
Cash and cash equivalents - restricted	705,439
Cash with county treasurer	12,403
Investments	556,295
Property taxes receivable	14,728
Grants receivable	-
Accounts receivable	472
Inventories	5,115
Capital assets:	
Land and construction in progress	227,585
Depreciable assets	13,785,537
Accumulated depreciation	(6,185,656)
Capital assets, net of depreciation	7,827,466
<b>Total assets</b>	<b>9,501,491</b>
<b>Deferred outflows of resources: See note 6</b>	<b>816,783</b>
<b>Liabilities</b>	
Current liabilities:	
Deficit cash	1,050
Accounts payable	117,434
Accrued salaries and benefits	247,288
Accrued compensated absences	33,047
Accrued interest payable	11,879
Bank loan payable-current	19,774
General obligation bonds payable-current	610,000
Total current liabilities	1,040,472
Noncurrent liabilities:	
Net pension liability	5,257,051
Bank loan payable	52,061
General obligation bonds payable	4,720,000
Total noncurrent liabilities	10,029,112
<b>Total liabilities</b>	<b>11,069,584</b>
<b>Deferred inflows of resources: See note 6</b>	<b>406,565</b>
<b>Net position</b>	
Invested in capital assets, net of related debt	2,411,298
Restricted for:	
Debt service	749,957
TABOR	94,000
Colorado-preschool program reserve	7,493
Unrestricted (deficit)	(4,420,623)
<b>Total net position</b>	<b>\$ (1,157,875)</b>

The accompanying notes are an integral part of this financial statement



**Hanover School District No. 28**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

Assets	General Fund	Food Service Fund	Pupil Activity Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Cash and cash equivalents	\$ 322,941	\$ 33,089	\$ 23,543	\$ -	\$ -	\$ 379,573
Cash and cash equivalents - restricted	-	-	-	705,439	-	705,439
Cash with county treasurer	11,849	-	-	554	-	12,403
Investments	520,509	-	-	35,786	-	556,295
Property taxes receivable	5,500	-	-	9,228	-	14,728
Grants receivable	-	-	-	-	-	-
Other receivables	-	472	-	-	-	472
Inventories	-	5,115	-	-	-	5,115
<b>Total Assets</b>	<b>\$ 860,799</b>	<b>\$ 38,676</b>	<b>\$ 23,543</b>	<b>\$ 751,007</b>	<b>\$ -</b>	<b>\$ 1,674,025</b>

**Liabilities and Fund Balances**

<b>Liabilities:</b>						
Deficit cash	\$ -	\$ -	\$ -	\$ 1,050	\$ -	\$ 1,050
Accounts payable	109,379	7,717	338	-	-	117,434
Accrued salaries and benefits	240,094	7,194	-	-	-	247,288
Accrued compensated absences	31,438	1,609	-	-	-	33,047
<b>Total liabilities</b>	<b>\$ 380,911</b>	<b>\$ 16,520</b>	<b>\$ 338</b>	<b>\$ 1,050</b>	<b>\$ -</b>	<b>\$ 398,819</b>

**Fund Balances:**

Non-spendable: Inventories	-	5,115	-	-	-	5,115
Spendable, reported in:						
Restricted fund balance:						
TABOR	94,000	-	-	-	-	94,000
Debt service	-	-	-	749,957	-	749,957
Colorado preschool program reserve	7,493	-	-	-	-	7,493
Assigned fund balance:						
Special revenue funds	-	17,041	23,205	-	-	40,246
Capital project fund	-	-	-	-	-	-
Unassigned fund balance:						
General fund	378,395	-	-	-	-	378,395
Total fund balances	479,888	22,156	23,205	749,957	-	1,275,206
<b>Total Liabilities and Fund Balances</b>	<b>\$ 860,799</b>	<b>\$ 38,676</b>	<b>\$ 23,543</b>	<b>\$ 751,007</b>	<b>\$ -</b>	<b>\$ 1,674,025</b>

The accompanying notes are an integral part of this financial statement

**Hanover School District No. 28**  
**Reconciliation of Governmental Funds Balance Sheet To**  
**Statement of Net Position**  
**June 30, 2016**

Governmental funds total fund balances	\$	1,275,206
Add:		
Capital assets used in government activities are not considered current financial resources and, therefore, not reported in the governmental funds. reported in the governmental funds.		14,013,122
Deferred outflows from pension liability - see note 6		816,783
Deduct:		
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(6,185,656)
Long-term liabilities for general obligation debt (\$7,380,000 from series 2010 refunding) are not due and payable in the current period and, therefore, not reported in the funds. reported in the funds.		(5,330,000)
Deferred inflows from pension liability - see note 6		(406,565)
Net pension liability		(5,257,051)
Bank note payable		(71,835)
Accrued interest payable		(11,879)
Government activities net position	<u>\$</u>	<u>(1,157,875)</u>

The accompanying notes are an integral part of this financial statement

**Hanover School District No. 28**  
**Statement of Revenues, Expenditures and Changes**  
**in Fund Balances - Governmental Funds**  
**Fiscal year ended June 30, 2016**

	<u>General Fund</u>	<u>Food Service Fund</u>	<u>Pupil Activity Fund</u>	<u>Debt Service Fund</u>	<u>Capital Project Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>						
Local sources	\$ 748,882	\$ 15,191	\$ 61,604	\$ 679,996	\$ -	\$ 1,505,673
State sources	2,649,465	2,583	-	-	-	2,652,048
Federal sources	60,509	119,143	-	-	-	179,652
Total revenues	<u>3,458,856</u>	<u>136,917</u>	<u>61,604</u>	<u>679,996</u>	<u>-</u>	<u>4,337,373</u>
<b>Expenditures</b>						
<b>Current:</b>						
Regular instruction	1,374,244	-	-	-	-	1,374,244
Cocurricular activities	89,667	-	94,173	-	-	183,840
Student services	50,281	-	-	-	-	50,281
Instructional staff	32,550	-	-	-	-	32,550
General administration	201,752	-	-	-	-	201,752
School administration	117,362	-	-	-	-	117,362
Support services - business	40,670	-	-	-	-	40,670
Operations and maintenance	681,435	-	-	-	-	681,435
Student transportation	278,335	-	-	-	51,958	330,293
Support services - central	91,796	-	-	-	-	91,796
Food service operations	-	195,324	-	-	-	195,324
Pikes Peak BOCES	146,350	-	-	-	-	146,350
District-wide facility acquisitions	-	-	-	-	-	-
<b>Debt service:</b>						
Principal retirements	-	-	-	595,000	19,508	614,508
Interest and fiscal charges	-	-	-	151,985	2,616	154,601
Total expenditures	<u>3,104,442</u>	<u>195,324</u>	<u>94,173</u>	<u>746,985</u>	<u>74,082</u>	<u>4,215,006</u>
<b>Excess(deficiency) of revenues over(under)</b>						
Expenditures	354,414	(58,407)	(32,569)	(66,989)	(74,082)	122,367
<b>Other financing sources (uses)</b>						
Proceeds from issuance of bank loan	-	-	-	-	46,762	46,762
Transfer in	-	41,549	30,065	115,000	21,459	208,073
Transfer (out)	(208,073)	-	-	-	-	(208,073)
Total other financing sources (uses)	<u>(208,073)</u>	<u>41,549</u>	<u>30,065</u>	<u>115,000</u>	<u>68,221</u>	<u>46,762</u>
Net change in fund balances	146,341	(16,858)	(2,504)	48,011	(5,861)	169,129
Fund balances at beginning of year	333,547	39,014	25,709	701,946	5,861	1,106,077
Fund balances at end of year	<u>\$ 479,888</u>	<u>\$ 22,156</u>	<u>\$ 23,205</u>	<u>\$ 749,957</u>	<u>\$ -</u>	<u>\$ 1,275,206</u>

The accompanying notes are an integral part of this financial statement

**Hanover School District No. 28**  
**Reconciliation of Revenues, Expenditures and Changes in Fund Balances of**  
**Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

Governmental funds changes in fund balances	\$	169,129
Add:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		72,798
Principal retirement of District's long-term debt results in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.		614,508
Deduct:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(319,927)
Government funds report pension expenses as expenditures when paid. Pension obligations in the statement of activities is allocated and expensed for future pension costs.		140,220
The issuance of long-term debt provides current financial resources to governmental funds - debt issued or incurred:		
Change in accrued interest payable		2,454
Proceeds from issuance of bank note payable		(46,762)
Governmental activities change in net position	<u>\$</u>	<u>632,420</u>

The accompanying notes are an integral part of this financial statement

**HANOVER SCHOOL DISTRICT NO. 28**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

Note 1 - **Summary of Significant Accounting Policies**

The Hanover School District, No. 28 (the District) was formed in 1962 encompassing approximately 185 square miles of southern El Paso County, Colorado. The District operates under an elected Board of Education with five members and provides educational services to approximately 250 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education within its boundaries of El Paso County, Colorado. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

**Reporting Entity**

Governmental Accounting Standards Board (GASB) Statement No. 14, *“The Financial Reporting Entity”* (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity’s financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

The District is not included in any other governmental “reporting entity” as defined in GASB No. 14. As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units. The District has no component units, as it is not financially accountable for any other organization.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and for each function of the District’s governmental activities. Direct expenses are those

that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. General revenues consist of taxes and others sources not described above.

Separate financial statements are provided for governmental funds. Major individual governmental funds (General Fund, Food Service Fund, Designated Purpose Grant Fund, Debt Service Fund, Pupil Activity Fund and Capital Project Fund) are reported as separated columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the District's governmental and business-type activities and component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases net current position and unreserved fund balance as measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

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

All Governmental fund types use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected with 60 days after year-end.

Property and automotive ownership taxes are reported as receivable when levied and as revenues when due for collection in the following year and determined to be available.

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts. An unearned revenue is established when revenues exceed expenditures.

Expenditures are recorded when the related fund liability is incurred with the exceptions of general obligation and capital lease debt service which is recognized when due and certain accrued sick and personal pay which are accounted for as expenditures when expected to be liquidated with expendable available financial resources.

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

### **Fund Accounting**

The accounts of the District are organized on the basis of fund, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

- **Major Governmental Funds**
  1. General Fund – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
  2. Debt Service Fund - used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.
  3. Pupil Activity (Special Revenue Fund) – used to account for the specific revenue sources that are restricted or committed to be used in various student athletic and co-curricular organizations.
  4. Capital Project Fund – is used to account for revenues and expenditures related to the District's construction and capital improvements.

### **Cash and Cash Equivalents**

Cash of some funds are pooled into common pooled accounts in order to maximize investment opportunities. An individual fund's pooled Cash and Cash Investments are available upon demand and are considered to be "cash equivalents". Negative balances incurred in pooled cash at year-end are treated as a liability of that fund.

### **Receivables**

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. No amounts were determined to be uncollectable at June 30, 2016. Property taxes levied in the current year but not received at year-end are identified as property taxes receivable and are presented net of an allowance for uncollectable taxes.

### **Investments**

The District's investments consist of short-term maturities with Colotrust where the carrying value approximates fair market value.

### **Inventories**

Inventories recorded in the Food Service Fund consist of purchased and donated commodities. Purchased inventories are stated at average cost. Donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt.

### **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 future period and so will not be recognized as an outflow of the resources (expenditure) until that time. In addition to liabilities, the statement of financial position reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenues) until that time.

### **Capital Assets**

Capital assets, which include property, vehicles and equipment, are utilized for general District operations and are capitalized at actual or estimated cost. Donations of such assets are recorded at estimated fair value at the time of donation. Capital assets are reported in the applicable government or business-type activities columns in the government-wide financial statements.

Maintenance, repairs, and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. When assets used in the operation of the government fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund. The District does not capitalize interest on the construction of capital assets.

The monetary threshold for capitalization of assets is \$1,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets. Depreciation of all capital assets used by the proprietary fund is charged as an expense against their operations. Estimate useful lives are:

Vehicles	8 years
Furniture, fixtures and equipment	5 to 20 years
Buildings and improvements	20 to 50 years

**Liabilities**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable government activities. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund.

**Compensated Absences**

It is the District's policy to permit employees to accumulate a limited amount of earned but unused sick pay benefits, which will be paid to employees upon separation from District service. A liability for these amounts is reported in governmental funds only if they have matured or have been earned. Vested or accumulated vacation leave of proprietary funds is recorded as expense and liability of these funds as the benefits accrue to employees.

**Budgets and Budgeting Accounting**

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

1. Budgets are required by state law for all funds. Prior to April 1, the District submits to the Board a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution of the Board.
4. Expenditures may not legally exceed appropriations at the fund level. The District is authorized to transfer budgeted amounts between departments within any fund; however, the Board must approve any revisions that alter the total expenditures of any fund.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Fund.
6. Budgets for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Project Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

**Fund Equity**

Net Position/Fund Balances - In the government-wide financial statements and for the proprietary fund statements, net positions are either shown as invested in capital assets net of related debt, with these assets essentially being nonexpendable; restricted when constraints placed on the net positions are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example inventories and prepaid amounts.

Fund balance should be reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, should be reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, should be reported as “assigned” fund balance. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

For the classification of fund and net position balances, the District considers an expenditure to be made from the most restrictive classification first, when more than one classification is available.

In the fund financial statements, governmental funds report restrictions of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restrictions of the fund balance for the District are recorded up to the maximum equity available in the fund balance and consist of:

Restricted for Debt Service – These reserves are established for amounts set aside for payments of principal and interest on the bonds payable. Recorded reserves at June 30, 2016 are \$749,957.

### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements in those assets. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is reported as unrestricted.

## **Accounting Estimates**

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

## Note 2 - **Deposits and Investments**

### **Deposits**

The District's investment policies are approved by the Board of Education and governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; state regulators determine eligibility. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds. The pool is to be maintained by another financial institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

- Obligations of the United States government and certain government agencies securities
- Certain international agency securities
- General obligation and revenue bonds of governmental entities
- Bankers acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Guaranteed investment contracts
- Checking with interest savings accounts

**Custodial Credit Risk** – 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 a deposit policy for custodial credit risk. At year-end the District's bank balance was \$1,056,988. Of the bank balance, \$572,453 was covered by FDIC insurance, and \$484,535 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA. The District's carrying balance as of June 30, 2016 was \$1,085,012 of which \$705,439 is restricted within the Debt Service Fund for future debt service requirements. The difference between the District's carrying balance and bank balance is outstanding checks and deposits in transit.

### **Investments**

The District had invested \$556,295 (fair value) in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. The Colorado Division of

Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Interest Rate Risk – State statutes limits investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk – State law limits investments to those with specified ratings, as provided by nationally recognized statistical rating organizations, depending on the investment type.

Note 3 - **Property Tax**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 15 and are payable in full by April 30 or in two equal installments due February 28 and June 15 of the following year. The El Paso County Treasurer bills and collects the District's property tax. District property tax revenues are accounted for in the General and Debt Service Funds. Property taxes at the fund level are recorded as receivable and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Note 4 - **Capital Assets**

A summary of changes in capital assets follows:

Governmental Activities

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Non-depreciable assets:				
Land	\$ 227,585	\$ -	\$ -	\$ 227,585
Construction	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-depreciable	<u>\$ 227,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,585</u>

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Depreciable Assets:				
Buildings & Sites	\$ 11,970,941	\$ 6,340	\$ -	\$ 11,977,281
Equipment Furniture And Fixtures	1,078,652	14,500	-	1,093,152
Vehicles	<u>663,146</u>	<u>51,958</u>	<u>-</u>	<u>715,104</u>
Total Depreciable Assets	<u>\$ 13,712,739</u>	<u>\$ 72,798</u>	<u>\$ -</u>	<u>\$ 13,785,537</u>
Less accumulated depreciation for:				
Buildings & Sites	\$ 4,394,813	\$ 257,102	\$ -	\$ 4,651,915
Equipment Furniture And Fixtures	851,114	50,140	-	901,254
Vehicles	<u>619,802</u>	<u>12,685</u>	<u>-</u>	<u>632,487</u>
Total Accumulated Depreciation	<u>\$ 5,865,729</u>	<u>\$ 319,927</u>	<u>\$ -</u>	<u>\$ 6,185,656</u>
Total Capital Assets, Net	<u>\$ 8,074,595</u>	<u>\$ (247,129)</u>	<u>\$ -</u>	<u>\$ 7,827,466</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:

Regular instruction \$ 319,927

Note 5 - **Long-Term Debt**

The following is a summary of long-term debt:

	Balance <u>July 1, 2015</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2016</u>
G.O.Refunding Bonds-2010	\$ 5,925,000	\$ -	\$ 595,000	\$ 5,330,000
Totals G.O Bonds	<u>5,925,000</u>	<u>-</u>	<u>595,000</u>	<u>5,330,000</u>
BankNotePayable	<u>44,581</u>	<u>46,762</u>	<u>19,508</u>	<u>71,835</u>
Total Long-Term Debt	<u>\$ 6,969,581</u>	<u>\$ 46,762</u>	<u>\$ 614,508</u>	<u>\$ 6,401,835</u>
Amount of General Obligation Bonds due within one year				<u>\$ 610,000</u>
Amount of Bank Loan Payable due within one year				<u>\$ 19,774</u>

In October of 2010, the District issued \$7,380,000 in general obligation refunding bonds for the purpose of advance refunding a portion of the District's outstanding General Obligation Bonds, series 2003 and a portion of the District's outstanding General Obligation Bonds, series 2004. Principal payments are due annually on December 1, through 2023. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2.0% to 3.0%.

The annual and summary of debt service requirements of the 2010 General Obligation Refunding Bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 610,000	\$ 133,400	\$ 743,400
2018	625,000	118,000	743,000
2019	645,000	104,494	749,494
2020	655,000	89,050	744,050
2021	670,000	72,069	742,069
2022	690,000	53,788	743,788
2023-2024	<u>1,435,000</u>	<u>44,924</u>	<u>1,479,924</u>
Total	<u>\$ 5,330,000</u>	<u>\$ 615,725</u>	<u>\$ 5,945,725</u>

In August of 2015, the District borrowed \$46,762 from the Kansas State Bank to purchase a bus. Principal and interest payments are due annually on June 30, through 2020, with interest accruing at rates of 3.02%.

The annual and summary of loan payments of the Bank loan payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 9,070	\$ 1,146	\$ 10,216
2018	9,344	872	10,216
2019	9,626	590	10,216
2020	<u>9,918</u>	<u>298</u>	<u>10,216</u>
Total	<u>\$ 37,958</u>	<u>\$ 2,906</u>	<u>\$ 40,864</u>

In September of 2014, the District borrowed \$44,581 from the Kansas Bank of Manhattan to purchase a bus. Principal and interest payments are due annually on September 5, through 2018, with interest accruing at rates of 2.70%.

The annual and summary of loan payments of the Bank loan payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 10,704	\$ 1,204	\$ 11,908
2017	10,993	915	11,908
2018	11,290	618	11,908
2019	<u>11,594</u>	<u>313</u>	<u>11,907</u>
Total	<u>\$ 33,877</u>	<u>\$ 1,846</u>	<u>\$ 35,723</u>

Note 6 - **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. § 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.
- 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 percent of PERA's Annual Increase Reserve 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.

*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. § 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, 2016	For the Year Ended December 31, 2015
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	18.13%	17.33%

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$276,196 for the year ended June 30, 2016

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

At June 30, 2016 the District reported a liability of \$5,257,050 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, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District proportion was 0.0343726251%, which was a decrease of 0.0030731228 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of (\$140,220). At June 30, 2016, 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	\$ 74,510	\$ 239
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	\$ 603,951	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	\$ 406,326
Contributions subsequent to the measurement date	\$ 138,322	N/A
Total	\$ 816,783	\$ 406,565

\$138,322 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a

reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30, 2016:</b>	
June 30, 2017	\$ 10,620
June 30, 2018	\$ 29,058
June 30, 2019	\$ 103,113
June 30, 2020	\$ 129,105
June 30, 2021	\$ -
Thereafter	\$ -

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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, 2013 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.

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 most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of

geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
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 Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

*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 assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those 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 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 Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$6,834,165	\$5,257,050	\$3,942,788

*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).

Note 7 - **Post-employment Healthcare Benefits**

*Plan Description.* The Hanover School District No. 28 contributes to the Health Care Fund (HCF), a cost sharing multiple employer post-employment healthcare plan administered by the PERA. The HCF provides a health care premium subsidy to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for HCF. That report may be obtained by writing to PERA of Colorado, 1301 Pennsylvania Street, Denver, Colorado 80203 or by calling PERA's InfoLine at 1-800-759-PERA (7372) or Denver metro area 837-6250.

*Funding Policy.* The Hanover School District No. 28 is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Hanover School District No. 28 are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the health care fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The Hanover School District No. 28's contributions to HCF for the years ending June 30, 2016, 2015 and 2014 were \$15,092, \$14,082 and \$16,297, respectively, equal to their required contributions for each year.

Note 8 - **Defined Contribution Pension Plan**

*Plan Description.* The (CSSDTF) members of the Hanover School District No. 28 may voluntarily contribute to the Voluntary Investment Program 401(k) Plan, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature.

*Funding Policy.* The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 in 2016 and \$18,000 in 2015). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a member's eligible tax deferred retirement program contributions limited by 3.0% in 2002, 2.0% in 2003 and 1.0% in 2004 per payroll of the PERA-includable salary. Effective July 1, 2004, the State Legislature rescinded the matchmaking provision of this plan. The 401(k) Plan member contributions from the District for the year ended June 30, 2016 were \$7,610. There were no employer contributions to the 401(k) Plan from the District for the year ended June 30, 2016.

Note 9 - **Joint Ventures**

The District participates in with the Pikes Peak Board of Cooperative Educational Services (BOCES). The District has one member on the Board, which is selected by

participating districts. This Board has final authority for all budgeting and financing of the joint venture. The District's June 30, 2016 contribution amounted to \$146,350. The District's share of annual contributions to the joint venture was approximately 8% for the year ended June 30, 2016. Complete financial statements for BOCES can be obtained at their administrative offices at 2883 South Circle Drive, Colorado Springs, Colorado 80906.

Note 10- **Auditor's Integrity Report**

The Colorado Department of Education requires the inclusion of the Auditor's Integrity Report as a supplemental schedule to the audited financial statements. The report is based on a prescribed basis of accounting that demonstrates compliance with the financial policies and procedures of the Colorado Department of Education.

Note 11- **Risk Management**

The District participates in Colorado School District Self-Insurance Pool. The pool is a separate legal entity established by the member school districts pursuant to the provisions of Colorado Revised Statute and the Colorado Constitution. In 1985, the District Board approved a resolution that authorized the District to participate in the pool. The District has participated each year since then.

It is the intent of the members of the Pool to create an entity in perpetuity which will administer and use funds contributed by the members to defend and indemnify, in accordance with the bylaws, any member of the Pool against stated liability or loss to the limit of the financial resources of the Pool.

It is also the intent of the members to have the Pool provide continuing stability and availability of needed coverage at reasonable cost. All income and assets of the Pool shall be at all times dedicated to the exclusive benefit of its members.

The Pool is a separate legal entity and the District does not approve budgets nor does it have the ability to significantly affect the operations of the unit.

Complete financial statements for the Pool can be obtained at their offices.

The District is exposed to various risks of loss related to torts, thefts of damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God. The District maintains commercial insurance coverage for general liability, workers compensation, property, vehicle damage and liability, umbrella, management liability and public official bond. The District did not have any claim settlements in excess of coverage for the last three years.

Note 12 - **Accrued Teachers' Salaries and Employee Benefits**

Teachers' contracts are for a nine or ten-month period; but are paid in twelve equal payments. At the end of the fiscal year an accrual exists for the difference between the amounts due on the contract and the amounts paid.

Note 13 - **Interfund Transactions**

The following identifies cash transfers from the General Fund to the Food Service Fund and Pupil Activity Fund at June 30, 2016:

<u>Fund</u>	<u>Transfer from</u>	<u>Transfer to</u>
General Fund	\$ 208,073	
Food Service Fund		\$ 41,549
Pupil Activity Fund		\$ 30,065
Debt Service Fund		\$ 115,000
Capital Project Fund		\$ 21,459

Note 14 - **Operating Leases**

The District entered into an operating lease with *Key Equipment and Leaf Financial* for copiers. Monthly rentals are \$300. Lease expense as of June 30, 2016 was \$3,600. The minimum annual rental commitments under these leases are as follows:

Year ended June 30:	
2017	\$ 2,700
Total	\$ 2,700

Note 15 - **Tax, Spending, and Debt Limitations**

In November 1992, the voters of Colorado approved Amendment I, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments, including school districts.

The District's financial activity provides the basis for calculation of future limitations adjusted for allowable increases tied to inflation and enrollment growth. Subsequent to 1992, revenues in excess of the District's "spending limit" must be refunded unless voters approve the retainage of such excess revenue. TABOR generally requires voter approval for any new tax, tax increases, and new debt.

On November 7, 2000, the voters of the district approved a referendum for Hanover School District No. 28. The voters authorized the district to collect, retain and expend all revenues and other funds collected during 2002 and each subsequent year from any source notwithstanding the limitations of Article X, section 20 of the Colorado constitution, effective January 1, 2002, provided however, that no property tax mill levy shall be increased at any time nor shall any new tax be imposed without the prior approval of the voters of Hanover School District No. 28. TABOR is complex and subject to interpretation. Ultimate implementation may depend upon litigation and legislative guidance.

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

emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary and fringe benefit increases. These reserves are to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2016, for budgetary purposes the District reserved \$94,000 in the General Fund.

Note 16- **Expenditures in Excess of Appropriations**

The District overspent its budget in the Capital Project Fund during the year by \$6,535. This may be a violation of State statutes.

Note 17- **Evaluation of Subsequent Events**

The District's management has evaluated subsequent events through September 15, 2016 (the date of the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Note 18- **Contingencies**

State of Colorado – Any disallowed per pupil funding or disallowed expenditures as a result of non-compliance with the states grants and educational regulations, including amounts already collected, may constitute a liability to the District.

Grants – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government and State of Colorado. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**

**Hanover School District No. 28**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u>
				<u>Positive</u>
				<u>(Negative)</u>
Revenues				
Local sources				
Property taxes	\$ 321,569	\$ 464,486	\$ 403,820	\$ (60,666)
Specific ownership taxes	80,000	80,000	128,265	48,265
Delinquent taxes and interest	150	150	1,176	1,026
Other local sources	40,412	31,470	214,803	183,333
Interest on investments	80	80	818	738
Total local sources	<u>442,211</u>	<u>576,186</u>	<u>748,882</u>	<u>172,696</u>
State sources				
State equalization	2,357,595	2,405,353	2,414,245	8,892
Transportation	70,000	79,501	82,746	3,245
Other state sources	67,180	149,769	152,474	2,705
Total state sources	<u>2,494,775</u>	<u>2,634,623</u>	<u>2,649,465</u>	<u>14,842</u>
Federal sources				
Title I grant	38,682	38,682	38,718	36
Reap revenue	20,000	12,057	12,057	-
Other federal grants	6,445	8,435	9,734	1,299
Total federal sources	<u>65,127</u>	<u>59,174</u>	<u>60,509</u>	<u>1,335</u>
Total revenues	<u>3,002,113</u>	<u>3,269,983</u>	<u>3,458,856</u>	<u>188,873</u>
Expenditures				
Instruction and supporting services				
Regular instruction	1,427,693	1,442,916	1,374,244	68,672
Cocurricular activities	112,112	112,112	89,667	22,445
Student services	51,104	51,214	50,281	933
Instructional staff	28,286	29,558	32,550	(2,992)
General administration	199,379	194,351	201,752	(7,401)
School administration	116,030	118,144	117,362	782
Support services - business	40,598	40,598	40,670	(72)
Operations and maintenance	432,149	509,806	681,435	(171,629)
Student transportation	288,934	275,029	278,335	(3,306)
Support services - central	105,236	93,936	91,796	2,140
Facility acquisitions	-	-	-	-
Pikes Peak BOCES	144,178	157,178	146,350	10,828
Contingency	-	-	-	-
Total instruction and supporting services	<u>2,945,699</u>	<u>3,024,842</u>	<u>3,104,442</u>	<u>(79,600)</u>
Excess(deficiency) of revenues over expenditures	<u>56,414</u>	<u>245,141</u>	<u>354,414</u>	<u>109,273</u>
Other financing sources (uses)				
Transfer out	(75,500)	(222,244)	(208,073)	14,171
Total other financing sources (uses)	<u>(75,500)</u>	<u>(222,244)</u>	<u>(208,073)</u>	<u>14,171</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(19,086)</u>	<u>22,897</u>	<u>146,341</u>	<u>123,444</u>
Fund balances at beginning of year	262,966	344,165	333,547	(10,618)
Fund balances at end of year	<u>\$ 243,880</u>	<u>\$ 367,062</u>	<u>\$ 479,888</u>	<u>\$ 112,826</u>

See the accompanying Independent Auditors' Report

**Hanover School District No. 28**  
**Food Service Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Food sales	\$ 16,500	\$ 16,500	\$ 14,806	\$ (1,694)
Other local sources	400	400	385	(15)
Total local sources	<u>16,900</u>	<u>16,900</u>	<u>15,191</u>	<u>(1,709)</u>
State sources				
Other state sources	2,250	2,250	2,583	333
Total state sources	<u>2,250</u>	<u>2,250</u>	<u>2,583</u>	<u>333</u>
Federal sources				
National breakfast and lunch program	90,000	90,000	104,955	14,955
Other federal grants	4,200	4,200	14,188	9,988
Total federal sources	<u>94,200</u>	<u>94,200</u>	<u>119,143</u>	<u>24,943</u>
Total revenues	<u>113,350</u>	<u>113,350</u>	<u>136,917</u>	<u>23,567</u>
Expenditures				
Food service operations				
Salaries and benefits	85,800	85,800	84,504	1,296
Purchased food	86,850	86,850	96,584	(9,734)
Purchase services	8,300	8,300	13,274	(4,974)
Supplies	950	950	823	127
Other	1,600	1,600	139	1,461
Contingency	33,864	33,864	-	33,864
Total food service operations	<u>217,364</u>	<u>217,364</u>	<u>195,324</u>	<u>22,040</u>
Excess(deficiency) of revenues over expenditures	<u>(104,014)</u>	<u>(104,014)</u>	<u>(58,407)</u>	<u>45,607</u>
Other financing sources (uses)				
Transfer in	65,000	65,000	41,549	(23,451)
Total other financing sources (uses)	<u>65,000</u>	<u>65,000</u>	<u>41,549</u>	<u>(23,451)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(39,014)</u>	<u>(39,014)</u>	<u>(16,858)</u>	<u>22,156</u>
Fund balances at beginning of year	39,014	39,014	39,014	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,156</u>	<u>\$ 22,156</u>

See the accompanying Independent Auditors' Report

**Hanover School District No. 28**  
**Pupil Activity Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Student activities	\$ 40,000	\$ 40,000	\$ 61,604	\$ 21,604
Interest on investments	-	-	-	-
Total local sources	<u>40,000</u>	<u>40,000</u>	<u>61,604</u>	<u>21,604</u>
Expenditures				
Current:				
Cocurricular activities	71,000	71,000	94,173	(23,173)
Contingency	-	-	-	-
Total expenditures	<u>71,000</u>	<u>71,000</u>	<u>94,173</u>	<u>(23,173)</u>
Excess(deficiency) of revenues over expenditures	<u>(31,000)</u>	<u>(31,000)</u>	<u>(32,569)</u>	<u>(1,569)</u>
Other financing sources (uses)				
Transfer in	31,000	31,000	30,065	(935)
Transfer out	-	-	-	-
Total other financing sources (uses)	<u>31,000</u>	<u>31,000</u>	<u>30,065</u>	<u>(935)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>-</u>	<u>-</u>	<u>(2,504)</u>	<u>(2,504)</u>
Fund balances at beginning of year	25,709	25,709	25,709	-
Fund balances at end of year	<u>\$ 25,709</u>	<u>\$ 25,709</u>	<u>\$ 23,205</u>	<u>\$ (2,504)</u>

See the accompanying Independent Auditors' Report

**Hanover School District No. 28**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**Last 10 Fiscal Years**

	<u>2015</u>	<u>2014</u>
District' proportion (percentage) of the collective net pension liability	0.0343726251%	0.0374457479%
District's proportionate share of the collective pension liability	5,257,050	5,075,157
Employer's covered-employee payroll	1,497,960	1,568,709
District's proportionate share of the net pension liability as a percentage of it's employer's covered-employee payroll	28.49%	30.91%
Plan fiduciary net pension as a percentage of the total pension liability	59.20%	62.80%

The amounts presented for each fiscal year were determined as of December 31.

See the accompanying Independent Auditors' Report

**Hanover School District No. 28**  
**Schedule of Contributions and Related Ratios**  
**Last 10 Fiscal Years**

	<u>2016</u>	<u>2015</u>
As of June 30,		
Statutorily required contributions	\$ 276,196	\$ 248,362
Contributions in relation to the statutorily required contributions	<u>276,196</u>	<u>248,362</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	1,471,904	1,387,497
Contribution as a percentage of employer's covered-employee payroll	18.76%	17.90%

See the accompanying Independent Auditors' Report

**OTHER SUPPLEMENTARY  
INFORMATION**

**Hanover School District No. 28**  
**Debt Service Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Property taxes	\$ 781,299	\$ 781,299	\$ 677,311	\$ (103,988)
Delinquent taxes and interest	-	-	2,282	2,282
Interest on investments	50	50	403	353
Total local sources	<u>781,349</u>	<u>781,349</u>	<u>679,996</u>	<u>(101,353)</u>
Expenditures				
Debt Service:				
Interest expense	151,475	151,475	151,475	-
Principal	595,000	595,000	595,000	-
Other	750	750	510	240
Contingency	-	-	-	-
Total debt service	<u>747,225</u>	<u>747,225</u>	<u>746,985</u>	<u>240</u>
Excess(deficiency) of revenues over expenditures	<u>34,124</u>	<u>34,124</u>	<u>(66,989)</u>	<u>(101,113)</u>
Other financing sources (uses)				
Transfer in	115,000	115,000	115,000	-
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>115,000</u>	<u>115,000</u>	<u>115,000</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>149,124</u>	<u>149,124</u>	<u>48,011</u>	<u>(101,113)</u>
Fund balances at beginning of year	701,946	701,946	701,946	-
Fund balances at end of year	<u>\$ 851,070</u>	<u>\$ 851,070</u>	<u>\$ 749,957</u>	<u>\$ (101,113)</u>

See the accompanying Independent Auditors' Report

**Hanover School District No. 28**  
**Capital Projects - Building Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual**  
**Fiscal Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other local sources	\$ -	\$ -	\$ -	\$ -
Interest on investments	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Current:				
Supporting services	50,442	50,442	51,958	(1,516)
Debt service	17,105	17,105	22,124	(5,019)
Contingency	-	-	-	-
Total expenditures	<u>67,547</u>	<u>67,547</u>	<u>74,082</u>	<u>(6,535)</u>
Excess(deficiency) of revenues over expenditures	<u>(67,547)</u>	<u>(67,547)</u>	<u>(74,082)</u>	<u>(6,535)</u>
Other financing sources (uses)				
Proceeds from issuance of bank loan	50,442	50,442	46,762	(3,680)
Transfer in	11,244	11,244	21,459	10,215
Total other financing sources (uses)	<u>61,686</u>	<u>61,686</u>	<u>68,221</u>	<u>6,535</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(5,861)</u>	<u>(5,861)</u>	<u>(5,861)</u>	<u>-</u>
Fund balances at beginning of year	5,861	5,861	5,861	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report

**COLORADO DEPARTMENT OF EDUCATION**

**AUDITOR'S INTEGRITY REPORT**

