

cPa DIXON, WALLER & CO., INC.

HOEHNE REORGANIZED

SCHOOL DISTRICT NUMBER R-3

HOEHNE, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016

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*By Justin L. Smith at 4:40 pm, Jan 04, 2017*

**DIXON, WALLER & CO., INC.**

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DISTRICT NUMBER R-3

FINANCIAL STATEMENTS

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HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2016

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BOARD OF EDUCATION

Bill Buhr	President
Ed Gyurman	Vice President
Arnold Gallegos	Treasurer
Robert Philpot	Secretary
Marvin Price	Member
Buck Apple	Member
George Torres	Member

SCHOOL OFFICIALS

Joe DeAngelis	Superintendent
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FINANCIAL SECTION

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TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

Board of Education  
Hoehne Reorganized School District RE-3  
Hoehne, Colorado 81046

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoehne Reorganized School District RE-3, 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**

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

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

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

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Hoehne Reorganized School District RE-3, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *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 pension trend data on pages i through x and 32 through 37 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 Hoehne Reorganized School District RE-3's basic financial statements. The other schedules and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules and state required schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

In our opinion, the other schedules and state required schedules, are fairly stated, in all material respect, in relation to the basic financial statements as a whole.



Trinidad, Colorado  
November 15, 2016

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

Management of Hoehne R-3 School District offers readers of the basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ending June 30, 2016. The focus of the information is on the primary government (general) fund.

This is the 12th year of the GASB statement No. 34, *Basic Financial Statement and Management Discussion and Analysis and Local Governments*. GASB Statement No.68, *Accounting and Financial Reporting for Pensions*, will also be included in this narrative.

**Financial Highlights**

In government wide activities, the District's liabilities exceeded its' assets at the close of the fiscal year by \$662,193. Included in the liabilities is the net unfunded liability amount of \$5,655,462 which is the Hoehne School District's share of the 13.5 billion dollars pension liability in the state of Colorado.

The Food Service Special Revenue Fund, which is no longer classified as a proprietary fund, shows a net position decrease of \$1,643.

At the end of the fiscal year, the District's governmental funds reported combined ending fund balance of \$1,699,116. This was a increase of \$197,875 from the prior year.

The General Fund reported a fund balance of \$1,646,444 at the close of the fiscal year 2016. This is an increase of \$306,650 (FY 2015 \$1,339,794). Two paraprofessionals were hired in the elementary school to help reduce the teacher/student ratio.

The District has \$178,520 of net tax receivables. This trend of \$200,000 per year of unpaid taxes has been ongoing for the past eight (8) years. Las Animas County is still holding some of the certificates for these properties. The assessed valuations for these properties have been lowered in the hopes that the properties will sell. Abatements have also increased in the County. The \$100,000 contingency money, paid to the school district in June 2012 by the State Board of Education, is being carried as a liability. It is considered a loan to the District for five years. May 2016 is considered Year # 4. The Preliminary Certification of Value received on August 25, 2016 shows an assessed valuation of \$816,590 more than the previous year's. The District has collected 83% of the levied taxes as of August 2016. This is the least amount for any school district located in Las Animas County.

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

The District has seen a change in enrollment over the past year. October 2015 count was 355 FTE; the year closed at 356 students. The trend traditionally has been that the student enrollment decreases throughout the year. However the 2015-2016 enrollment was not the norm. Students relocated from out of state as parents were seeking employment. The October Count Day for 2016 is 348.5 FTE. This is an increase of 14.5 students from the close of the school year. The gas industry employer continues to relocate employees to areas outside the state. The local coal mine has now officially closed. The UPS hub has been closed. With families needing to find employment, the District is seeing a decreasing enrollment prior to the start of the school year. Since count day the school district has seen an increase of students (5.5) making the present enrollment 353. Families that live in the Hoehne School District, who previously sent the students to other school districts, are returning to the Hoehne School District.

**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 Hoehne R-3 School District's basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

**District-Wide Financial Statements**

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

The district-wide statement reports the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position. The difference between assets and liabilities is reported as net assets. Over time, changes in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. GASB No. 68 has affected the liability amount. This non-funded liability of \$5,655,462 for pensions has increased the liabilities of the District.

The district-wide statement includes Governmental Activities and the Food Service Special Revenue Fund also known as "other governmental funds".

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

**Governmental activities:**

The District's basic services are included here, such as instruction, transportation, maintenance and operation, and administration. Property taxes and state equalization finance most of these activities. This information is comprised of the following Hoehne R-3 School District funds: (1) general fund, (2) preschool fund, (3) insurance reserve fund, (4) capital reserve fund, (5) bond redemption fund, (6) activity fund, and (7) food service special revenue fund also known as "other governmental funds".

- *Preschool Fund:* Hoehne R-3 presently contracts with a local service provider for preschool. The ten (10) slots are available to the provider who is approved after a Right for Participation (RFP) is accepted by the Preschool Advisory Board. This fund has a balance of \$1,573 as of June 30, 2016. The District will have ten (10) slots for this year.
- *Insurance Reserve Fund:* The Insurance Reserve Fund is maintained for the purpose of paying insurance premiums for liability, property, vehicle, workmen's comprehensive and student insurance. This particular fund has been maintained for better record keeping. However, in June 2016 the fund will be zeroed out and all necessary insurance payments will come directly from the General Fund.
- *Capital Reserve Fund:* This fund has an ending balance of \$22,447. This fund is used for capital improvements.
- *Bond Fund:* The bond fund has an ending fund balance of \$0 as of June 30, 2016. The bond was satisfied March 2016.
- *Food Service Special Revenue Fund:* This fund is the Hot Lunch Program Fund and is also known as "other governmental funds". The District charges fees to help defray the costs of this service. The District is reimbursed through the School Breakfast Program and the National School Lunch Program. The ending fund balance is \$21,345.

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

**Fund Financial Statements**

The Fund Financial Statements provide detailed information about the District's funds, focusing on its most significant funds or "major" funds, not the District as a whole. Fund Financial Statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The Hoehne School District, like other governments, uses fund accounting to ensure and demonstrate compliance.

All the funds of the District can be divided into two categories: governmental funds which includes the food service special revenue fund, and fiduciary funds.

*Governmental Funds:*

Most of the District's basic services are reported in governmental funds, which generally focus on the determination of financial position and change in financial position, not on income determination. The focus is on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances that are left at year end that are available for funding future basic services. The governmental fund statements provide a detailed short-term view of the District's operations and services it provides. The relationship (or differences) between the governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

*Fiduciary Funds:*

The District serves as a trustee, or fiduciary, for student organizations known as the Pupil Activity Agency Fund. The assets of these organizations belong to the organization, not the District. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes and only for those to whom the assets belong. A voucher system is used when requesting expenditure of any of these funds. The paper trail assists the District in monitoring these assets. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its' operations. Total ending fund balance as of (June 30,2016) for this fund is \$66,617.

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

**Notes to the Financial Statements**

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

In addition to the financial statements and accompanying notes, this report contains other supplemental information concerning the District's non-major governmental funds. The combined statements of the non-major governmental funds are presented after the notes to the financial statements.

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

The District's total net position on June 30, 2016 was \$(662,193). Of the District's \$5,625,004 in assets \$2,684,169 reflects investment in capital assets (i.e. land, buildings, and equipment). Throughout this Analysis the previous year's activities is available for comparison.

Table 1:  
**NET POSITION**

	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>ASSETS</b>						
Current and Other Assets	2,236,235	-	2,236,235	3,560,375	-	3,560,375
Capital Assets	2,684,169	-	2,684,169	2,914,657	-	2,914,657
Total Assets	4,920,404	-	4,920,404	6,475,032	-	6,475,032
Deferred Outflows	704,600	-	704,600	237,937	-	237,937
<b>LIABILITIES</b>						
Current and Other Liabilities	6,130,930	-	6,130,930	5,645,995	-	5,645,995
Long Term Liabilities	-	-	-	-	-	-
Total Liabilities	6,130,930	-	6,130,930	5,645,995	-	5,645,995
Deferred Inflows	156,267	-	156,267	305	-	305
<b>NET POSITION</b>						
Net Investment in Capital Assets	2,684,169	-	2,684,169	2,829,657	-	2,829,657
Restricted for:						
Tabor Reserve	101,400	-	101,400	97,100	-	97,100
Debt Service	-	-	-	107,080	-	107,080
Food Service	21,346	-	21,346	22,989	-	22,989
Preschool	1,573	-	1,573	1,539	-	1,539
Unrestricted	(3,470,681)	-	(3,470,681)	(1,991,696)	-	(1,991,696)
	(662,193)	-	(662,193)	1,066,669	-	1,066,669

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

Table 2: Changes in Net Position clearly shows an decrease in total revenues, which includes the Food Service Special Revenue Fund by an amount of \$16,190. The Hot Lunch Fund had an increase of revenue dollars in the amount of \$18,793. The Hot Lunch Fund also known as the Food Service Special Revenue Fund has been a concern of the District. The increase in revenues in the 2015-2016 school year is attributed to one particular factor: Point of Sale that has narrowed the gap between outstanding balances for students. The 2016-2017 school year's goal is to improve the collection of the outstanding balances since an online payment option with a credit card option has been added to the Point of Sale. This Point of Sale has been added to the Student Data System which allows parents to see current balances while viewing students' grades. The District is moving forward to become part of a State BOCES-consortium which would have more competitive food prices. As of now the number of food vendors available to the District is limited. The School District is reimbursed through the School Breakfast Program and the National School Lunch Program. The percentages of students who receive free and reduced breakfast and lunch is 34% (Count Day 2016). The District belongs to a consortium which aids the District in pursuing Assistance Grants which would help in purchasing large ticket items such as equipment.

**Table 2:**  
**Changes in Net Position**

	2016			2015		
	Governmental Activities	Business Type Activities	Total	Governmental Activities	Business Type Activities	Total
<b>Revenues</b>						
Charges for Services	76,004	-	76,004	50,396	-	50,396
Operating Grants and Contributions	371,729	-	371,729	264,220	-	264,220
Capital Grants and Contributions	-	-	-	10,450	-	10,450
Property taxes	992,544	-	992,544	1,220,731	-	1,220,731
Specific Ownership Taxes	155,648	-	155,648	184,833	-	184,833
Equalization	2,028,343	-	2,028,343	1,909,201	-	1,909,201
Earnings on investments	1,710	-	1,710	1,592	-	1,592
Other Revenues	68,473	-	68,473	69,218	-	69,218
Transfers	-	-	-	-	-	-
<b>TOTAL REVENUES</b>	<b>3,694,451</b>	<b>-</b>	<b>3,694,451</b>	<b>3,710,641</b>	<b>-</b>	<b>3,710,641</b>
<b>Expenses</b>						
Instructional services	1,937,121	-	1,937,121	1,842,198	-	1,842,198
Students	90,131	-	90,131	98,913	-	98,913
Instructional staff	50,417	-	50,417	64,405	-	64,405
District administration	318,380	-	318,380	247,502	-	247,502
School administration	111,331	-	111,331	107,763	-	107,763
Business	129,759	-	129,759	135,426	-	135,426
Operation and maintenance of facilities	505,626	-	505,626	533,247	-	533,247
Transportation	214,713	-	214,713	267,367	-	267,367
Central	43,944	-	43,944	57,154	-	57,154
Capital outlay	-	-	-	-	-	-
Interest on Long Term Liabilities	1,595	-	1,595	8,240	-	8,240
Food Service	199,764	-	199,764	198,907	-	198,907
Pension Expense	218,654	-	218,654	28,638	-	28,638
<b>TOTAL EXPENSES</b>	<b>3,821,435</b>	<b>-</b>	<b>3,821,435</b>	<b>3,589,760</b>	<b>-</b>	<b>3,589,760</b>
<b>Increase ( Decrease in Net Position )</b>	<b>(126,984)</b>	<b>-</b>	<b>(126,984)</b>	<b>120,881</b>	<b>-</b>	<b>120,881</b>

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

The following table shows the District's major functions. It also shows the net costs (total cost less revenue generated by activities). A comparison with the previous year is also included. The elementary school (K-6) has continuously increased in enrollment. Due to this fact, support personnel have been added. To add to the curriculum, an Art teacher has been added. Please keep in mind for the 2016 column; the food service's costs have been included.

**Table - 3 Governmental Activities by Major Function**

	2016		2015	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
Instructional services	1,937,121	(1,694,877)	1,842,198	(1,706,270)
Students	90,131	(90,131)	98,913	(98,913)
Instructional staff	50,417	(50,417)	64,405	(64,405)
District administration	318,380	(318,380)	247,502	(247,502)
School administration	111,331	(111,331)	107,763	(107,763)
Business	129,759	(129,759)	135,426	(135,426)
Operation and maintenance of facilities	505,626	(494,807)	533,247	(522,797)
Transportation	214,713	(169,422)	267,367	(219,559)
Central	43,944	(43,944)	57,154	(57,154)
Pension Amortization	218,654	(218,654)	28,638	(28,638)
Interest on Long Term Liab (Bond)	1,595	(1,594)	8,240	(8,240)
Food Service	199,764	(50,385)	198,907	(68,027)
Total	3,821,435	(3,373,702)	3,589,760	(3,264,694)

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

*Governmental Activities*

- The cost of all governmental activities this year was \$3,439,055.
- The federal and state government subsidized certain programs with grants and contributions (\$287,534.)
- Most of the District's costs however, were financed by District and State taxpayers. This portion of governmental activities was financed with \$2,028,343 in state equalization from the School Finance Act and \$935,024 in property tax. Specific ownership taxes in the sum of \$155,648 and \$69,888 in investment earnings and other miscellaneous revenue were collected.

**Financial Analysis of the District's Funds**

As of October 01, 2016, there were 347.5 FTE students enrolled in the Hoehne School District R-3. The fluctuating number from the Count Day to close of school in May has been addressed on Page i, **Financial Highlights**. Steady or increasing pupil enrollment is the best way to ensure adequate funding in a school district's budget. However, as the enrollment increases the expenses increase. Frugal spending habits are continuing to be maintained.

***General Fund Budgetary Highlights***

- The District's Budget is prepared according to Colorado Law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.
- Revenues in the General Fund were \$291,604 higher than the previous year. The state equalization share did increase.
- As of June 30, 2016 the District's TABOR reserve amounted to \$101,400.

**HOEHNE R-3 SCHOOL DISTRICT**  
**Management Discussion and Analysis**  
**For the Fiscal Year Ended June 30, 2016**

*Capital Assets*

The District's investment in capital assets for its governmental activities, which includes the Food Service Special Revenue, as of June 30, 2016 amounts to \$2,684,169. The previous year's capital assets are shown for comparison.

Table 4: Capital Assets ( Net of Depreciation )

	Governmental <u>2015-2016</u>	Governmental <u>2014-2015</u>
Land & Sites	220,419	220,419
Buildings & Improvements	2,280,006	2,507,842
Equipment & Vehicles	183,744	186,396
<b>Total Capital Assets</b>	<u><b>2,684,169</b></u>	<u><b>2,914,657</b></u>

*Long-Term Debt*

At year-end the District had \$70,870 in accumulated sick leave. Compensated absences are not reported as a liability in the Fund. The final principal payment with interest has been paid on the 2003 General Obligation Refunding Bond. The December 2015 mill levy assessment will not include a bond mill levy. The District, at this time, is not planning to write off the bond redemption fund receivable of \$180,000.

CHANGES IN LONG TERM DEBT

	Balance <u>7/1/2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/2016</u>
2003 General Obligation Refunding Bonds	85,000	-	85,000	-
Deferred Refunding	0	-	0	0
Accumulated Sick Leave	52,362	- 18,508	0	70,870
<b>Totals</b>	<u><b>317,362</b></u>	<u><b>- 18,508</b></u>		<u><b>70,870</b></u>

**HOEHNE R-3 SCHOOL DISTRICT  
Management Discussion and Analysis  
For the Fiscal Year Ended June 30, 2016**

**Economic Factors Bearing on the District's Future**

The budget for the 2015-2016 school year is based on past revenue collections and projected expenditures. The 5.5 FTE decrease in enrollment will not impact the school district at this time since the five year average is holding steady.

In the past three years the staff has been given an average of a 2% raise on the base salary. To recruit and retain quality teachers in the District, the District has joined a Consortium to promote Hoehne School District. The District is presently working on a "Brand" to market the District.

Increased Health insurance, utility and food costs, strict State and Federal Requirements for the Hot Lunch Program, as well as the increasing percentage the District contributes to PERA, add to the difficulty in keeping spending in line with anticipated revenues.

**Contacting the District's Financial Management**

This financial report is designed to provide our citizen's, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Superintendent of Schools  
Hoehne R-3 School District  
P.O. Box 91  
Hoehne, Colorado 81046

BASIC FINANCIAL STATEMENTS

HOEHNE REORGANIZED SCHOOL DISTRICT R-3  
STATEMENT OF NET POSITION  
June 30, 2016

	Governmental Activities	Total
<u>ASSETS</u>		
Cash and Investments	2,050,846	2,050,846
Accounts Receivable	6,033	6,033
Receivables – Other	-	-
Accrued Revenue	-	-
Property Taxes Receivable	178,520	178,520
Inventories	836	836
Capital Assets	8,835,391	8,835,391
Accumulated Depreciation	(6,151,222)	(6,151,222)
<u>Total Assets</u>	<u>4,920,404</u>	<u>4,920,404</u>
 <u>DEFERRED OUTFLOW OF RESOURCES</u>		
District Contributions Subsequent to Pension Measurement Date	144,348	144,348
Pension Outflows – Plan Level	555,554	555,554
Pension Outflows – Employer Level	4,698	4,698
<u>Total Deferred Outflow of Resources</u>	<u>704,600</u>	<u>704,600</u>
 <u>LIABILITIES</u>		
Accounts Payable	31,770	31,770
Accrued Salaries	268,953	268,953
Accrued Interest Payable	-	-
Compensated Absences	70,870	70,870
Other Liabilities	103,875	103,875
Net Pension Obligation	5,655,462	5,655,462
Debt Payable – Current	-	-
Debt Payable – Long Term	-	-
<u>Total Liabilities</u>	<u>6,130,930</u>	<u>6,130,930</u>
 <u>DEFERRED INFLOW OF RESOURCES</u>		
Pension Inflows – Plan Level	80,158	80,158
Pension Inflows – Employer Level	76,109	76,109
<u>Total Deferred Inflow of Resources</u>	<u>156,267</u>	<u>156,267</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	2,684,169	2,684,169
Restricted:		
TABOR Reserve	101,400	101,400
Debt Service	-	-
Preschool	1,573	1,573
Food Service	21,346	21,346
Unrestricted	(3,470,681)	(3,470,681)
<u>TOTAL NET POSITION</u>	<u>(662,193)</u>	<u>(662,193)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

	Net (Expenses) Revenue and Changes in Net Position			
	Program Revenues		Primary Government	
Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Total
<b>FUNCTIONS</b>				
Instructional Services	1,937,121	242,244	-	(1,694,877)
Supporting Services:				
Students	90,131	-	-	(90,131)
Instructional Staff	50,417	-	-	(50,417)
District Administration	318,380	-	-	(318,380)
School Administration	111,331	-	-	(111,331)
Business	129,759	-	-	(129,759)
Operation & Maintenance Of Facilities	505,626	-	-	(494,807)
Transportation	214,713	45,291	-	(169,422)
Central	43,944	-	-	(43,944)
Food Service	199,764	84,194	-	(50,385)
Capital Outlay	-	-	-	-
Interest on Long-Term Debt	1,595	-	-	(1,595)
Pension Expense	218,654	-	-	(218,654)
Total Governmental Activities	3,821,435	371,729	-	(3,373,702)
Total School District	3,821,435	371,729	-	(3,373,702)
General Revenues				
Property Taxes Levied for General Purposes				992,544
Specific Ownership Taxes				155,648
Equalization				2,028,343
Earnings on Investments				1,710
Other Revenues				68,473
Total General Revenues				3,246,718
Change in Net Position				(126,984)
Net Position, Beginning				1,066,669
Prior Period Corrections				(1,601,878)
Net Position, Ending				(662,193)

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

IIOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and Investments	1,977,740	-	73,106	2,050,846
Accounts Receivable	-	-	6,033	6,033
Accrued Revenue	-	-	-	-
Due From Other Funds	42,412	-	-	42,412
Property Taxes Receivable, Net of Allowance for Doubtful Collections of \$1,481,000	178,520	-	-	178,520
Inventories	-	-	836	836
<u>Total Assets</u>	<u>2,198,672</u>	<u>-</u>	<u>79,975</u>	<u>2,278,647</u>
<b>LIABILITIES:</b>				
Accounts Payable	31,770	-	-	31,770
Accrued Salaries	256,611	-	12,342	268,953
Due To Other Funds	-	-	42,412	42,412
Other Payables	100,000	-	3,875	103,875
<u>Total Liabilities</u>	<u>388,381</u>	<u>-</u>	<u>58,629</u>	<u>447,010</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Property Taxes	132,520	-	-	132,520
<b>FUND BALANCES:</b>				
Nonspendable:				
Inventories	-	-	836	836
Restricted:				
Emergencies	101,400	-	-	101,400
Preschool	1,573	-	-	1,573
Food Service	-	-	20,510	20,510
Debt Service	-	-	-	-
Committed:				
Capital Outlay	22,447	-	-	22,447
Insurance	7,307	-	-	7,307
Assigned:				
Debt Service	-	-	-	-
Unassigned	1,545,044	-	-	1,545,044
<u>Total Fund Balances</u>	<u>1,677,771</u>	<u>-</u>	<u>21,346</u>	<u>1,699,117</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>				
	<u>2,198,672</u>	<u>-</u>	<u>79,975</u>	<u>2,278,647</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
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:

<u>Total Fund Balance – Governmental Funds</u>	1,699,117
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,835,391 and the accumulated depreciation is \$6,151,222.	2,684,169
Property tax revenue is recognized when earned (claim to resources established) rather than when “available.” All of the deferred property tax revenue is not available.	132,520
Compensated absences are not reported as a liability in the funds.	(70,870)
The District’s portion of the net pension obligation for PERA is reported on the statement of net position is not reported as a liability in the funds.	(5,655,462)
Deferred flows for contributions made toward the net pension obligation from December 31, 2015 until June 30, 2016 is not reported in the funds.	144,348
Deferred employer and plan level pension flows are not reported in the funds.	<u>403,985</u>
<u>TOTAL NET POSITION – GOVERNMENTAL ACTIVITIES</u>	<u>(662,193)</u>

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

HOEHN REORGANIZED SCHOOL DISTRICT NUMBER R-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Property Taxes	932,344	2,680	-	935,024
Specific Ownership Taxes	145,413	10,235	-	155,648
Earnings on Investments	1,648	62	-	1,710
Other Local Sources	78,442	556	65,479	144,477
State Aid	2,225,406	-	2,974	2,228,380
Federal Aid	90,472	-	81,220	171,692
Allocation to Reserves	-	-	-	-
<u>Total Revenues</u>	<u>3,473,725</u>	<u>13,533</u>	<u>149,673</u>	<u>3,636,931</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instructional Services	1,762,119	-	-	1,762,119
<b>Supporting Services:</b>				
Students	90,131	-	-	90,131
Instructional Staff	50,417	-	-	50,417
District Administration	315,862	-	-	315,862
School Administration	107,831	-	-	107,831
Business	129,759	-	-	129,759
Operation & Maintenance of Facilities	437,101	-	-	437,101
Transportation	208,710	-	-	208,710
Central	43,944	-	-	43,944
Facility Acquisition and Construction	-	-	-	-
Food Service	-	-	206,316	206,316
<b>Debt Service:</b>				
Principal Retirement	-	85,000	-	85,000
Interest and Fees	-	1,865	-	1,865
Capital Outlay	-	-	-	-
<u>Total Expenditures</u>	<u>3,145,874</u>	<u>86,865</u>	<u>206,316</u>	<u>3,439,055</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u>	<u>327,851</u>	<u>(73,332)</u>	<u>(56,643)</u>	<u>197,876</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	(21,252)	(33,748)	55,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>(21,252)</u>	<u>(33,748)</u>	<u>55,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	306,599	(107,080)	(1,643)	197,876
<b>FUND BALANCES – Beginning</b>	<u>1,371,172</u>	<u>107,080</u>	<u>22,989</u>	<u>1,501,241</u>
<b>FUND BALANCES – Ending</b>	<u>1,677,771</u>	<u>-</u>	<u>21,346</u>	<u>1,699,117</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
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:

<u>Net Change in Fund Balances – Total Governmental Funds</u>	197,876
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more the \$5,000 are capitalized and the cost is allocated over their estimated used lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p>	
Capital outlays more than \$5,000	30,878
Depreciation expense	<u>(261,366)</u>
	(230,488)
<p>Property tax revenues received prior to the year for which the are being levied or are not “available” at year end are reported as deferred revenue in the governmental funds. They are, however, recorded as revenue in the statement of activities. Deferred property tax revenues increased this year.</p>	
	57,520
<p>In the statement of activities 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 amount paid). During the year, compensated absences decreased by this amount.</p>	
	(18,508)
<p>The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issuance cost and premiums and deferred refunding amounts are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrued in the statement of activities regardless of when it is due. The net effect of these differences follows:</p>	
Principal payment	85,000
Accrued interest	270
<p>The statement of activities reports net pension obligation which is not reported in the fund financial statements:</p>	
Change in net pension obligation	(650,233)
Deferred flows from net pension obligations	<u>431,579</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>	<u>(126,984)</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
STATEMENT OF FIDUCIARY NET POSITION  
PUPIL ACTIVITY AGENCY FUND  
June 30, 2016

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	<u>Pupil Activity Fund</u>
<u>ASSETS</u>	
Cash and Investments	<u>68,360</u>
<u>Total Assets</u>	<u>68,360</u>
<u>LIABILITIES</u>	
Accounts Payable	1,743
Deposits Held for Others	<u>66,617</u>
<u>Total Liabilities</u>	<u>68,360</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Hoehne Reorganized School District Number R-3 (the District) conform with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

The District operates under an elected Board of Education with seven members.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Hoehne Reorganized School District Number R-3. 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.

A.      Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14, (as amended by Statements No. 34, No. 39 and No. 61), "*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.

This District is not included in any other governmental "reporting entity" as defined in GASB No. 14 and does not include any other component unit as part of its "reporting entity". As required by accounting principles generally accepted in the USA, these basic financial statements present the District (the primary government) and its component units.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B.      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 nonfiduciary 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 demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C.      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, as are the proprietary fund statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

HOEINE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 in net current assets and unreserved fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

Amounts reported as program revenues included 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 within 60 days after year-end.

Property and automotive ownership taxes are reported as receivables and deferred inflows 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.

Expenditures are recorded when the related fund liability is incurred with the exception 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.

The proprietary fund types are accounted for on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred. The measurement focus in these funds is on the flow of economic resources and emphasizes the determination of net income. All assets and all liabilities associated with their activity are included on their statements of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services in connection with a proprietary fund's ongoing operations. The principal operating revenues of the District's proprietary funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

D. Fund Accounting

The accounts of the District are organized on the basis of funds, 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, deferred flows, 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 the 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. Bond Redemption Debt Service Fund – used to account for the accumulation of resources for, and payment of, long-term general obligation debt principal, interest, and related costs.

Additionally, the District reports the following fund type:

The Pupil Activity Agency Fund – this fund is used to account for the activities of student clubs and organizations held in a fiduciary capacity by the District

E. Cash and Investments

Cash represents amounts on deposit with financial institutions or held by the District. The District is allowed to invest in the following types of investments: short-term certificates of deposit, repurchase agreements, money market deposit accounts, mutual funds, government pools, and U.S. Treasury Obligations. The District considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments are recorded at fair value in accordance with GASB Statement No. 72 *Fair Value Measurement and Application*. Accordingly, the change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F.      Receivables

Property taxes levied in 2015 but uncollected in 2016 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2016 are recorded as deferred revenue, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

G.      Inventories

Materials and supplies inventories are stated at cost. Inventories recorded in the Food Services Fund consist of purchased and donated commodities. Purchased inventories are stated at 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.

The cost of all inventories is recorded as an asset when the individual inventory items are purchased, and as an expenditure or expense when consumed.

H.      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 governmental 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 governmental 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 in governmental funds. However, the District does capitalize interest on the construction of capital assets in business-type activities.

The monetary threshold for capitalization of assets is \$5,000. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-40 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition.

I.      Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. 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. Capital leases are serviced from property taxes and other revenues of the General Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J.      Constitutional Amendment

In November 1992, Colorado voters approved Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR contains revenue, spending, tax and debt limitations, which apply to the State of Colorado and local governments. It requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of an expiring tax, or tax policy change directly causing a net tax revenue gain to any entity.

On November 5, 1996 the registered voters approved a ballot resolution authorizing Hoehne Reorganized School District Number R-3 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased without the consent of the voters.

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 or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2016 the District reserved \$101,400 for this purpose.

Spending and revenue limits are determined based on the prior fiscal year's spending adjusted for inflation in the prior calendar year plus annual increases in funded student enrollment. Fiscal year spending is generally defined as expenditures and reserve increases with certain exceptions.

K.      Property Taxes

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2015 property tax calendar for Las Animas County was as follows:

Levy Date	December 15, 2015
Lien Date	January 1, 2016
Tax Bills Mailed	January 1, 2016
First Installment Due	February 28, 2016
Second Installment Due	June 15, 2016
If Paid in Full, Due	April 30, 2016
Tax Sale – 2014 Delinquent Property Taxes	October 25, 2015

L.      Accumulated Staff Leave

Compensated absences are made up of accumulated sick leave reported as non-current liabilities in the government-wide financial statements. As of June 30, 2016, the District has recorded an estimated liability of \$70,870 relating to accrued sick leave payable.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 1      SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L.      Accumulated Staff Leave (Continued)

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2016</u>
Compensated Absences	<u>52,362</u>	<u>18,508</u>	<u>      -</u>	<u>70,870</u>

M.      Use of Estimates

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

N.      GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types 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 list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. 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.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School District Board of Directors (the District's highest level of decision-making authority).
4. Assigned fund balance classification is intended to be used by the government for specific purposes that do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The District's Committed Fund Balance is fund balance reporting required by the School Board, either because of a School Board Policy in the School Board Policy Manual, or because of motions that passed at School Board meetings.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N.    GASB Statement No. 54 (Continued)

Assigned Fund Balance Policy:

The District's Assigned Fund Balance is fund balance reporting occurring by School Board Administration authority, under the direction of the Chief Business Officer.

Order of Fund Balance Spending Policy

The District's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Bond Fund</u>	<u>Food Service</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>				
Inventories	-	-	836	836
<u>Restricted:</u>				
Emergencies	101,400	-	-	101,400
Preschool	1,573	-	-	1,573
Debt Service	-	-	-	-
Food Service	-	-	20,510	20,510
<u>Committed:</u>				
Capital Outlay	22,447	-	-	22,447
Insurance	7,307	-	-	7,307
<u>Assigned:</u>				
Pupil Activities	-	-	-	-
<u>Unassigned</u>	<u>1,545,044</u>	<u>-</u>	<u>-</u>	<u>1,545,044</u>
<u>Total Fund Balances</u>	<u>1,677,771</u>	<u>-</u>	<u>21,346</u>	<u>1,699,117</u>

O.    Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position and the balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and the balance sheet 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.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 2      RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements

<u>Eliminations</u>	<u>Due From</u>	<u>Due To</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	42,412	-	33,748	55,000
Bond Fund	-	-	-	33,748
Food Service	-	42,412	55,000	-
	<u>42,412</u>	<u>42,412</u>	<u>88,748</u>	<u>88,748</u>

NOTE 3      BUDGETARY INFORMATION

Revenues and expenditures are controlled by budgetary accounting systems in accordance with various legal requirements. The budgeted revenues and expenditures represent the original adopted budget as subsequently adjusted by the Board of Education in accordance with Colorado School Laws. Budgets are generally prepared on the same basis as that used for accounting purposes.

The District has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds and Debt Service Funds.
6. Budgets for the General, Special Revenue and Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets have been adopted for Agency Funds although measurement of operations is not required in the financial statements.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 3      BUDGETARY INFORMATION (Continued)

All appropriations lapse at the end of each fiscal year. Authorization to transfer budgeted amounts between programs and/or departments within any fund and the reallocation of budget line items within any program and/or department rests with the Superintendent of Schools and may be delegated to an appropriate level of management. Revisions and/or supplemental appropriations that alter the total expenditures of any fund must be approved by the Board of Education.

Budgetary amounts reported in the accompanying basic financial statements are as originally adopted and amended by the Superintendent and/or the Board of Education throughout the year.

NOTE 4      CASH AND INVESTMENTS

Deposits

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

At June 30, 2016, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC)	491,737	491,737
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,614,981	1,653,664
Cash with County Treasurer	<u>12,488</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>2,119,206</u>	<u>2,145,401</u>

As presented above, deposits with a bank balance of \$1,653,664 and a carrying balance of \$1,614,981 as of June 30, 2016, are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 5      CAPITAL ASSETS

A summary of changes in capital assets is as follows:

Governmental Activities

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<u>Capital Assets Not Being Depreciated</u>				
Land	220,419	-	-	220,419
<u>Capital Assets Being Depreciated</u>				
Buildings & Site Improvements	6,898,980	-	-	6,898,980
Equipment & Vehicles	1,626,275	22,400	7,400	1,641,275
Food Service	66,239	8,478	-	74,717
<u>Total Capital Assets Being Depreciated</u>	<u>8,591,494</u>	<u>30,878</u>	<u>7,400</u>	<u>8,614,972</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Site Improvements	4,391,138	227,836	-	4,618,974
Equipment & Vehicles	1,441,671	31,604	7,400	1,465,875
Food Service	64,447	1,926	-	66,373
<u>Total Accumulated Depreciation</u>	<u>5,897,256</u>	<u>261,366</u>	<u>7,400</u>	<u>6,151,222</u>
<u>Total Capital Assets Being Depreciated, Net</u>	<u>2,694,238</u>	<u>(230,488)</u>	<u>-</u>	<u>2,463,750</u>
<u>Governmental Activities Capital Assets, Net</u>	<u>2,914,657</u>	<u>(230,488)</u>	<u>-</u>	<u>2,684,169</u>

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

Governmental Activities:

Instruction	156,494
Student Support	-
Instructional Support	-
General Administration Support	2,518
School Administration Support	3,500
Business Support Services	-
Operations and Maintenance	68,525
Transportation	28,403
Food Service	1,926
<u>Total Depreciation Expense –Governmental Activities</u>	<u>261,366</u>

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN

**Defined Benefit Pension Plan**

Summary of Significant Accounting Policies

Pensions. Hoehne Reorganized School District Number R-3 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 Hoehne Reorganized School District Number R-3 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/investment/pera-financial-reports](http://www.copera.org/investment/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. 24-51-601, 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.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      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 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.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6      PENSION PLAN (Continued)

*Contributions.* Eligible employees and Hoehne Reorganized School District Number R-3 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, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Hoehne Reorganized School District Number R-3 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Hoehne Reorganized School District Number R-3 were \$277,648 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 Hoehne Reorganized School District Number R-3 reported a liability of \$5,655,462 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 Hoehne Reorganized School District Number R-3 proportion of the net pension liability was based on Hoehne Reorganized School District Number R-3 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 Hoehne Reorganized School District Number R-3 proportion was 0.0370 percent, which was an increase of 0.0001 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Hoehne Reorganized School District Number R-3 recognized pension expense of \$218,654. At June 30, 2016, the Hoehne Reorganized School District Number R-3 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6      PENSION PLAN (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	74,681	(236)
Changes of assumptions or other inputs	0	(79,922)
Net difference between projected and actual earnings on pension plan investments	480,873	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,698	(76,109)
Contributions subsequent to the measurement date	144,348	N/A
Total	704,600	(156,267)

\$144,348 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016	
2017	82,307
2018	95,780
2019	127,290
2020	98,608
2021	-
Thereafter	-

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 6      PENSION PLAN (Continued)

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 valuations are as follows:

- The following programming changes were made:
  - 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.
  
- 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 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:

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6 PENSION PLAN (Continued)

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to increase annually at a rate of 3.9%.
- 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 estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 6      PENSION PLAN (Continued)

- The AIR balance was excluded from the initial fiduciary net position, as, per statute. AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
  
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above 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 Hoehne Reorganized School District Number R-3 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-percent-point lower (6.50 percent) or 1-percent-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	7,331,132	5,655,462	4,261,618

*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).

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

NOTE 6

PENSION PLAN (Continued)

**Defined Contribution Pension Plan**  
**Voluntary Investment Program**

*Plan Description* – Employees of the Hoehne Reorganized School District Number R-3 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees, PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*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. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$15,098.

**Other Post-Employment Benefits**  
**Health Care Trust Fund**

*Plan Description* – The Hoehne Reorganized School District Number R-3 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 annual 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 Hoehne Reorganized School District Number R-3 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 Hoehne Reorganized School District Number R-3 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 years ending June 30, 2016, 2015 and 2014, the Hoehne Reorganized School District Number R-3 contributions to the HCTF were \$15,967, \$16,020 and \$15,818, respectively equal to their required contributions for each year.

NOTE 7

RISK MANAGEMENT

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 employees, or acts of God.

The District maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 8      COLORADO SCHOOL DISTRICT SELF INSURANCE POOL

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The

Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as Expenditures in the Insurance Reserve Fund.

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016.

An audited summary of the Colorado School District's Pool financial information at December 31, 2015 (latest information available) follows:

Total Assets	46,958,320
Total Liabilities	<u>22,633,311</u>
Total Equity	<u>24,325,009</u>
Revenue	13,432,892
Underwriting Expenses	<u>16,484,758</u>
Underwriting Gain (Loss)	(3,051,866)
Net Investment Income	663,509
Other Income	<u>-</u>
Net Income (Loss) Before Dividend	(2,388,357)
Dividend	<u>-</u>
Net Income	(2,388,357)
Transfer of Capital Contributions	-
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	<u>-</u>
Unassigned Surplus	<u>24,325,009</u>

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 June 30, 2016

NOTE 9      LONG TERM DEBT

Changes in Long Term Debt

	<u>Beginning Balance 7-1-2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance 6-30-2016</u>	<u>Current Portion</u>
2003 General Obligation Refunding Bonds	85,000	-	85,000	-	-
Deferred Refunding	-	-	-	-	-
Compensated Absences	<u>52,362</u>	<u>18,508</u>	-	<u>70,870</u>	-
<u>Totals</u>	<u>137,362</u>	<u>18,508</u>	<u>85,000</u>	<u>70,870</u>	<u>-</u>

NOTE 10      INVENTORIES

Food Service Fund inventories at June 30, 2016, consisted of purchased food, purchased non-food and donated commodities amounting to \$836. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

NOTE 11      ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, at June 30, 2016 are estimated to be \$268,953. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the various funds.

NOTE 12      SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES

Claims and Judgments - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

NOTE 13      INTERFUND RECEIVABLES AND TRANSFERS

<u>Transfers</u>	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Due To</u>	<u>Due From</u>
<u>Major Governmental Fund</u>				
General Fund	33,748	55,000	-	42,412
Bond Fund	-	33,748	-	-
Food Service Fund	<u>55,000</u>	-	<u>42,412</u>	-
	<u>88,748</u>	<u>88,748</u>	<u>42,412</u>	<u>42,412</u>

Transfers were made from the General Fund to the Food Service Fund for the purpose of assisting food service operations. Interfund loans are to be repaid within the next year.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2016

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NOTE 14    JOINT VENTURES

Not reflected in the accompanying financial statements is the District's participation in the South Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES is audited annually and submits an audit report to the Colorado State Auditor's Office.

The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2016. The joint venture summary audited financial information for the year ended June 30, 2015, is as follows:

Assets and Deferred Outflows	<u>2,480,068</u>
Liabilities and Deferred Inflows	6,846,498
Net Position	<u>(4,366,430)</u>
	<u>2,480,068</u>
Revenues	3,389,502
Expenditures	<u>2,694,018</u>
Change in Net Position	<u>695,484</u>

The BOCES is not included as a component unit of the District as the financial responsibility is minimal, there is no financial interdependency, the District does not have the ability to significantly influence the operations of the BOCES and the District is not accountable for fiscal matters of the BOCES. The BOCES is audited annually and a copy of the audit report is filed with the Colorado State Auditor's Office.

NOTE 15    PRIOR PERIOD CORRECTIONS

A prior period correction to net position of \$120,878 was recorded to reflect an employer level pension flow for the change in the employer's allocation percentage on collective net pension liability that was not recorded at June 30, 2015.

A prior period correction to net position of \$1,481,000 was recorded to establish an allowance for doubtful collection of property taxes. There is a large taxpaying entity within the District that has not been able to pay their property taxes for a number of years. The District feels that sufficient time has passed to determine if these back taxes will be paid and have concluded that it is doubtful that they will be collected.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

## MAJOR GOVERNMENTAL FUNDS

### General Fund

The General Fund accounts for all transactions of the District not accounted for in other funds. This fund represents an accounting for the District's ordinary operations financed from property taxes and other general revenues. It is the most significant fund in relation to the District's overall operations.

### Pension Trend Data

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	771,894	771,894	932,344	160,450
Specific Ownership Taxes	144,670	144,670	145,413	743
Earnings on Investments	1,000	1,000	1,648	648
Delinquent Penalty & Interest	1,500	1,500	4,382	2,882
Other	37,000	37,000	74,060	37,060
<u>State Sources</u>				
Equalization	1,880,000	1,880,000	2,028,343	148,343
Transportation	48,337	43,525	45,291	1,766
Vocational Education	30,275	30,275	33,237	2,962
Special Education	-	-	-	-
Other	4,500	114,628	118,535	3,907
<u>Federal Sources</u>				
Other	76,615	80,293	90,472	10,179
<u>Allocation to Reserves</u>	-	(158,000)	-	158,000
<u>Total Revenues</u>	<u>2,995,791</u>	<u>2,946,785</u>	<u>3,473,725</u>	<u>526,940</u>
<u>EXPENDITURES</u>				
<u>Instruction</u>				
Salaries	1,052,496	1,143,911	1,115,723	28,188
Employee Benefits	325,614	354,403	319,196	35,207
Purchased Services - Professional	103,948	70,881	58,446	12,435
Purchased Services – Property	-	500	-	500
Purchased Services – Other	238,514	213,421	125,590	87,831
Supplies and Materials	81,108	243,062	143,164	99,898
Property	-	-	-	-
Other Objects	1,785	-	-	-
<u>Total Instruction</u>	<u>1,803,465</u>	<u>2,026,178</u>	<u>1,762,119</u>	<u>264,059</u>
<u>SUPPORTING SERVICES</u>				
<u>Student Supporting Services</u>				
Salaries	58,013	58,014	58,668	(654)
Employee Benefits	17,113	17,113	15,635	1,478
Purchased Services – Professional	23,400	23,400	13,540	9,860
Purchased Services – Property	-	-	-	-
Purchased Services – Other	2,500	2,500	2,258	242
Supplies and Materials	250	250	30	220
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Student Supporting Services</u>	<u>101,276</u>	<u>101,277</u>	<u>90,131</u>	<u>11,146</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

<u>SUPPORTING SERVICES (Continued)</u>	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Instructional Staff</u>				
Salaries	37,885	37,886	38,526	(640)
Benefits	12,987	7,830	7,776	54
Purchased Services – Professional	500	-	-	-
Purchased Services – Property	-	500	-	500
Purchased Services – Other	-	-	-	-
Supplies and Materials	500	4,000	4,115	(115)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Instructional Staff</u>	<u>51,872</u>	<u>50,216</u>	<u>50,417</u>	<u>(201)</u>
<u>General Administration</u>				
Salaries	97,928	82,500	83,140	(640)
Employee Benefits	40,620	38,653	42,962	(4,309)
Purchased Services – Professional	14,000	14,000	13,134	866
Purchased Services – Property	14,600	14,600	11,360	3,240
Purchased Services – Other	18,300	113,180	101,739	11,441
Supplies and Materials	22,380	113,380	44,557	68,823
Property	-	1,500	1,300	200
Other Objects	26,000	26,000	17,670	8,330
<u>Total General Administration</u>	<u>233,828</u>	<u>403,813</u>	<u>315,862</u>	<u>87,951</u>
<u>School Administration</u>				
<u>Office of the Principal</u>				
Salaries	83,428	68,000	68,640	(640)
Employee Benefits	37,648	35,681	34,680	1,001
Purchased Services – Professional	1,700	1,700	1,698	2
Purchased Services – Property	500	-	-	-
Purchased Services – Other	1,250	1,250	1,278	(28)
Supplies and Materials	1,000	1,500	1,535	(35)
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total School Administration</u>	<u>125,526</u>	<u>108,131</u>	<u>107,831</u>	<u>300</u>
<u>Business Services</u>				
Salaries	62,465	95,050	96,957	(1,907)
Employee Benefits	14,153	22,161	21,814	347
Purchased Services – Professional	7,500	7,500	7,080	420
Purchased Services – Property	-	-	-	-
Purchased Services – Other	2,500	3,700	1,150	2,550
Supplies and Materials	4,000	4,000	2,758	1,242
Property	500	1,000	-	1,000
Other Objects	-	-	-	-
<u>Total Business Services</u>	<u>91,118</u>	<u>133,411</u>	<u>129,759</u>	<u>3,652</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>SUPPORTING SERVICES (Continued)</u>				
<u>Operations and Maintenance</u>				
Salaries	101,654	101,655	100,329	1,326
Employee Benefits	33,351	34,576	29,751	4,825
Purchased Services – Professional	15,000	15,000	-	15,000
Purchased Services – Property	45,000	65,000	64,978	22
Purchased Services – Other	120,000	123,000	81,155	41,845
Supplies and Materials	200,000	210,000	160,888	49,112
Property	15,000	40,000	-	40,000
Other Objects	10,000	-	-	-
<u>Total Operations and Maintenance</u>	<u>540,005</u>	<u>589,231</u>	<u>437,101</u>	<u>152,130</u>
<u>Student Transportation</u>				
Salaries	102,000	107,583	95,445	12,138
Benefits	42,000	42,935	39,055	3,880
Purchased Services – Professional	3,000	5,000	1,134	3,866
Purchased Services – Property	-	-	-	-
Purchased Services – Other	36,000	44,000	29,837	14,163
Supplies and Materials	60,000	65,000	43,239	21,761
Property	100,000	100,000	-	100,000
Other Objects	-	-	-	-
<u>Total Student Transportation</u>	<u>343,000</u>	<u>364,518</u>	<u>208,710</u>	<u>155,808</u>
<u>Central Support</u>				
Salaries	31,212	31,212	26,650	4,562
Benefits	11,619	11,618	10,565	1,053
Purchased Services – Professional	1,000	1,000	-	1,000
Purchased Services – Property	-	-	-	-
Purchased Services – Other	1,500	5,525	3,484	2,041
Supplies and Materials	3,000	3,245	3,245	-
Property	-	-	-	-
Other Objects	-	-	-	-
<u>Total Central Support</u>	<u>48,331</u>	<u>52,600</u>	<u>43,944</u>	<u>8,656</u>
<u>TOTAL SUPPORTING SERVICES</u>	<u>1,534,956</u>	<u>1,803,197</u>	<u>1,383,755</u>	<u>419,442</u>
<u>Debt Service</u>				
Principal Retirement	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
<u>Total Debt Service</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>APPROPRIATED RESERVES</u>	<u>526,282</u>	<u>525,582</u>	<u>-</u>	<u>525,582</u>
<u>Total Expenditures</u>	<u>3,864,703</u>	<u>4,354,957</u>	<u>3,145,874</u>	<u>1,209,083</u>

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<u>REVENUES OVER (UNDER)</u> <u>EXPENDITURES</u>	<u>(868,912)</u>	<u>(1,408,172)</u>	<u>327,851</u>	
<u>OTHER FINANCING SOURCES (USES)</u> Transfers	<u>(90,000)</u>	<u>58,000</u>	<u>(21,252)</u>	<u>(79,252)</u>
<u>REVENUES AND OTHER FINANCING</u> <u>SOURCES OVER (UNDER)</u> <u>EXPENDITURES AND OTHER USES</u>	<u>(958,912)</u>	<u>(1,350,172)</u>	<u>306,599</u>	
<u>FUND BALANCE, Beginning</u>	<u>958,912</u>	<u>1,350,172</u>	<u>1,371,172</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>-</u>	<u>1,677,771</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY  
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
District's proportion of the net pension liability (asset)	0.370%	0.0369%	0.0382%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$5,655,462	\$5,005,230	\$4,876,035	-	-	-	-	-	-	-
District's covered-employee payroll	\$1,565,373	\$1,570,621	\$1,550,853	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	361%	319%	314%	-	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.80%	64.06%	-	-	-	-	-	-	-

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 SCHEDULE OF DISTRICT CONTRIBUTIONS  
 For The Last 10 Fiscal Years (As Available)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Contractually required contributions	\$ 277,648	\$ 265,337	\$ 247,912	\$ 227,883	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (277,648)</u>	<u>\$ (265,337)</u>	<u>\$ (247,912)</u>	<u>\$ (227,883)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	-	-	-	-	-	-
District's covered-employee payroll	\$1,565,373	\$1,570,621	\$1,550,853	\$1,509,117	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.73%	16.89%	15.99%	15.10%	-	-	-	-	-	-

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

OTHER SCHEDULES

### Major Debt Service Fund

Bond Fund – This fund accounts for the accumulation of resources for, and payment of, general long-term debt principal and interest.

### Special Revenue Fund

Food Service - Special Revenue Fund – This fund accounts for all financial activities associated with the District's school breakfast and lunch programs.

### Fiduciary Fund Types

Pupil Activity Agency Fund – This fund is used to account for the activities of student clubs and organizations held in a fiduciary capacity by the District.

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 BOND REDEMPTION FUND – MAJOR DEBT SERVICE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES – BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	176,024	2,680	(173,344)
Specific Ownership	-	10,235	10,235
Other	-	556	556
Earnings on Investments	<u>100</u>	<u>62</u>	<u>(38)</u>
<u>Total Revenues</u>	<u>176,124</u>	<u>13,533</u>	<u>(162,591)</u>
<u>EXPENDITURES</u>			
Debt Service:			
Principal Retirement	170,000	85,000	85,000
Interest and Fiscal Charges	5,697	1,865	3,832
Other	-	-	-
Contingency	<u>153,221</u>	<u>-</u>	<u>153,221</u>
<u>Total Expenditures</u>	<u>328,918</u>	<u>86,865</u>	<u>242,053</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(152,794)</u>	<u>(73,332)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Proceeds of Refunding Bonds	-	-	-
Transfers	<u>-</u>	<u>(33,748)</u>	<u>(33,748)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>(33,748)</u>	<u>(33,748)</u>
<u>REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING SOURCES (USES)</u>	<u>(152,794)</u>	<u>(107,080)</u>	
<u>FUND BALANCE, July 1</u>	<u>152,794</u>	<u>107,080</u>	
<u>FUND BALANCE, June 30</u>	<u>-</u>	<u>-</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
 FOOD SERVICES – SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Year Ended June 30, 2016

	<u>Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	61,000	65,185	4,185
Earnings on Investments	-	-	-
Other	350	294	(56)
<u>State Sources</u>			
School Lunches	2,100	2,974	874
<u>Federal Sources</u>			
School Lunches	70,000	77,006	7,006
Commodities	-	4,214	4,214
<u>Total Revenues</u>	<u>133,450</u>	<u>149,673</u>	<u>16,223</u>
 <u>EXPENDITURES</u>			
Salaries	66,903	70,026	(3,123)
Employee Benefits	26,040	26,753	(713)
Purchased Services – Professional	-	-	-
Purchased Services – Property	-	-	-
Purchased Services - Other	-	-	-
Supplies and Materials	120,941	102,815	18,126
Capital Outlay	-	-	-
Other	12,374	2,479	9,895
Commodities	-	4,243	(4,243)
<u>Total Expenditures</u>	<u>226,258</u>	<u>206,316</u>	<u>19,942</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	(92,808)	(56,643)	
 <u>OTHER FINANCING SOURCES (USES)</u>			
Transfers	<u>90,000</u>	<u>55,000</u>	<u>(35,000)</u>
 <u>REVENUES AND SOURCES OVER (UNDER) EXPENDITURES AND USES</u>			
	(2,808)	(1,643)	
<u>FUND BALANCE, Beginning</u>	<u>2,808</u>	<u>22,989</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>21,346</u>	

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

HOEHNE REORGANIZED SCHOOL DISTRICT NUMBER R-3  
PUPIL ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS AND EXPENDITURES - BUDGET AND ACTUAL  
For the Year Ended June 30, 2016

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	<u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
<u>ADDITIONS</u>			
Earnings on Investments	-	-	-
Other Local Sources	<u>97,000</u>	<u>99,514</u>	<u>2,514</u>
<u>Total Additions</u>	<u>97,000</u>	<u>99,514</u>	<u>2,514</u>
<u>DEDUCTIONS</u>			
Activity Expenditures	78,037	85,855	(7,818)
Contingency	<u>70,046</u>	<u>-</u>	<u>70,046</u>
<u>Total Expenditures</u>	<u>148,083</u>	<u>85,855</u>	<u>62,228</u>
Net Increase (Decrease) in Deposits Held for Others	(51,083)	13,659	
Deposits Held for Others – Beginning of Year	<u>51,083</u>	<u>52,958</u>	
Deposits Held for Others – End of Year	<u>-</u>	<u>66,617</u>	

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

STATE REQUIRED SCHEDULES

Auditor's Integrity Report (Revenues, Expenditures, and Fund Balance by Fund)

Bolded Balance Sheet



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District 1600 – HOEHNE REORGANIZED 3  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>				
10 General Fund	1,362,218	3,339,832	3,033,160	1,668,891
18 Risk Mgmt Sub-Fund of General Fund	7,415	68,011	68,119	7,307
19 Colorado Preschool Program Fund	1,538	44,629	44,595	1,573
Sub- Total	1,371,172	3,452,472	3,145,874	1,677,770
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	22,989	204,673	206,317	21,945
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full-Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	107,080	-20,215	86,865	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
<b>Totals</b>	<b>1,501,241</b>	<b>3,674,931</b>	<b>3,438,056</b>	<b>1,699,116</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	52,959	99,514	85,855	66,617
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>52,959</b>	<b>99,514</b>	<b>85,855</b>	<b>66,617</b>
<b>FINAL</b>				<b>66,617</b>

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



**Colorado Department of Education**  
**Bolded Balance Sheet Report**  
 District: 1600 - HOEHNE REORGANIZED 3  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary						Fiduciary	
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 60-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals	
Cash and Investments (8100-8104,8111)	1,959,570	0	5,681	73,106	0	0	0	0	0	68,360	0	2,106,717		
Cash with Fiscal Agent (8105)	12,488	0	0	0	0	0	0	0	0	0	0	12,488		
Taxes Receivable (8121,8122)	178,520	0	0	0	0	0	0	0	0	0	0	178,520		
Interfund Loans Receivable (8131,8132)	46,444	0	0	0	0	0	0	0	0	0	0	46,444		
Grants Accounts Receivable (8142)	0	0	0	0	0	0	0	0	0	0	0	0		
Other Receivables (8151-8154,8161)	0	0	0	6,033	0	0	0	0	0	0	0	6,033		
Inventories (8171,8172,8173)	0	0	0	836	0	0	0	0	0	0	0	836		
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0		
<b>Total Assets</b>	<b>2,197,022</b>	<b>0</b>	<b>5,681</b>	<b>79,975</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>68,360</b>	<b>0</b>	<b>2,351,038</b>		

	Governmental						Proprietary					Fiduciary
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food/Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
<b>LIABILITIES &amp; FUND EQUITY</b>												
<b>LIABILITIES</b>												
Interfund Payables (7401,7402)	0	0	4,032	42,412	0	0	0	0	0	0	0	46,444
Other Payables (7421-7423)	31,693	0	76	3,875	0	0	0	0	0	1,743	0	37,388
Accrued Expenses (7461)	256,612	0	0	12,342	0	0	0	0	0	0	0	268,953
Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0
Unearned Revenue (7481)	0	0	0	0	0	0	0	0	0	0	0	0
Other Current Liabilities (7491,7492,7499)	100,000	0	0	0	0	0	0	0	0	0	0	100,000
Deferred Inflow (7800)	132,520	0	0	0	0	0	0	0	0	0	0	132,520
<b>Total Liabilities</b>	<b>520,825</b>	<b>0</b>	<b>4,108</b>	<b>58,629</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,743</b>	<b>0</b>	<b>585,305</b>

**Governmental**

**Proprietary**

**Fiduciary**

FUND EQUITY	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Non-spendable Fund Balance 6710	0	0	0	836	0	0	0	0	0	0	0	0
Restricted Fund Balance 6720	0	0	0	20,510	0	0	0	0	0	0	0	0	20,510
TABOR 3% Emergency Reserve 6721	101,400	0	0	0	0	0	0	0	0	0	0	0	101,400
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	1,573	0	0	0	0	0	0	0	0	0	1,573
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	29,753	0	0	0	0	0	0	0	0	0	0	0	29,753
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	1,545,044	0	0	0	0	0	0	0	0	0	66,617	0	1,611,661
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>1,676,197</b>	<b>0</b>	<b>1,573</b>	<b>21,345</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>66,617</b>	<b>0</b>	<b>1,765,733</b>

Total Liabilities & Fund Equity	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	2,197,022	0	0	5,681	79,975	0	0	0	0	0	0	68,360	0

Do Assets=Liability+Fund Equity	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Food Service Special Revenue Fund 21	Special Revenue Funds 20, 22-29	Debt Service Funds 30-39	Capital Projects Funds 40-49	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes