

cPa DIXON, WALLER & CO., INC.

HUERFANO SCHOOL

DISTRICT NUMBER RE-1

WALSENBURG, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2016

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DIXON, WALLER & CO., INC.

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HUERFANO SCHOOL DISTRICT NUMBER RE-1

FINANCIAL STATEMENTS

JUNE 30, 2016

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**HUERFANO SCHOOL DISTRICT NUMBER RE-1
ROSTER OF SCHOOL OFFICIALS
June 30, 2016**

BOARD OF EDUCATION

Jaye Sudar	President
Julia Marchant	Vice-President
Elisha Meadows	Treasurer
Dorothy Martinez	Secretary
Sherry Gomez	Member
David Tesitor	Member
Eva Vigil	Member

SCHOOL OFFICIALS

Michael Moore	Superintendent
Karen Cordova	Business Manager

FINANCIAL SECTION

164 E. MAIN
TRINIDAD, COLORADO 81082
(719) 846-9241 FAX (719) 846-3352

INDEPENDENT AUDITOR'S REPORT

**Board of Education
Huerfano School
District Number RE-1
Walsenburg, Colorado 81089**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huerfano School District Number RE-1, 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 Huerfano School District Number RE-1, 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 xv and 36 through 40 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 Huerfano School District Number RE-1's basic financial statements. The combining and individual fund financial statements, 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 combining and individual fund financial statements, 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 combining and individual fund financial statements, other schedules, and state required schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Dixon, Waller & Co., P.C.

November 30, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HUERFANO SCHOOL DISTRICT RE-1
201 EAST FIFTH STREET
WALSENBURG, COLORADO 81089
(719) 738-1520 FAX (719)738-3148**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FY 2015-16**

This section of the Huerfano School District RE-1's annual financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

Financial Highlights

During 2015-16, the District chose to liquidate Fund 18/Insurance Reserve Fund into Fund10/General Fund. All Insurance activities will now be recorded in Fund 10.

- Revenues totaled \$5,881,885 for 2015-16 compared to \$5,804,020 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$4.690 million or 79.7 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$1,150,378 compared to \$1,182,742 the prior year.
- The District had \$6,113,358 in expenses related to governmental activities compared to \$6,481,705 the prior year. Program specific charges for services, grants and contributions totaling \$1,150,378 were offset against the expenses leaving \$4,962,980 to be funded by other general revenues related to governmental activities.
- The District's General Fund, which includes Fund 10/General Fund, and Fund 19/CPP, started the fiscal year with a fund balance of \$1,838,017. After revenues of \$4,467,441 and program expenditures and transfers totaling \$4,408,302 the ending fund balance at June 30, 2016 was \$1,897,156.
- The Capital Projects Fund had a beginning fund balance of \$366,044. Revenues totaled \$457 of interest earned on investments. Other sources included a transfer from the general fund totaling \$80,000. Expenditures totaled \$137,444 including \$60,378 for capital outlay and principal and interest paid on a capital lease totaling \$77,066 leaving an ending fund balance of \$309,057.
- The Bond Redemption Fund had a beginning fund balance of \$690,507. Revenues, primarily from property taxes, totaled \$402,046 of which \$418,750 was used to pay principal, interest, and fiscal charges related to the Series 2002 Bonds. The ending fund balance in the Bond Redemption Fund decreased to \$673,864.
- Government Designated Purpose Grants accounted for \$506,171 of the revenue and expenditures related to governmental activities compared to \$438,855 the prior year.
- Non-major governmental funds include student activities with a beginning fund balance of \$93,223 and food services with a beginning fund balance of \$110,270. Revenues totaled \$433,024

including transfers from the general fund totaling \$40,000. After expenditures of \$474,989 the ending fund balances totaled \$64,499 for student activities and \$97,029 for food services.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to Huerfano School District RE-1's basic financial statements. The basic financial statements consist of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the District. The basic financial statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District government, reporting the District's operations in more detail than the government-wide statements.

- The governmental funds statements tell how general government services were financed in the short-term as well as what remains for future spending.
- Proprietary fund statements offer short and long term financial information about the activities that the District operates like businesses.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements. Detailed in the following diagram are how the various parts of this annual report are arranged and related to one another.

**Table 1
Organization of Huerfano School District's Annual Financial Report**

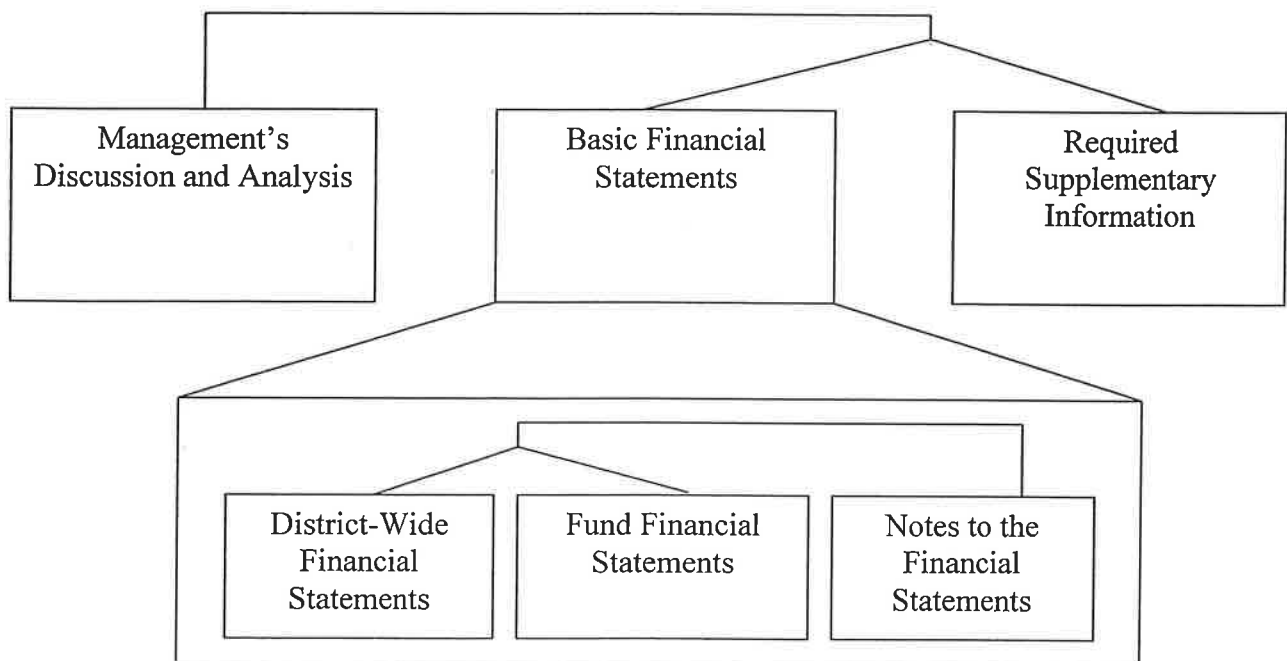


Table 2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis highlights the structure and contents of each of the two types of financial statements, district-wide and fund, found in the basic financial statements.

Table 2

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Government Funds	Proprietary Funds	Fiduciary Funds
		Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance
Required Financial Statements	Statements of net position Statements of activities	Balance Sheet Statement of revenues, expenditures, and changes in fund balances	Statement of net position Statement of revenues, expenses and changes in fund net position Statement of cash flows	Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	District does not have any proprietary funds at this time	District does not have any fiduciary funds at this time
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	District does not have any proprietary funds at this time	District does not have any fiduciary funds at this time

Government-wide Statements

The government-wide statements are designed to provide readers a broad overview of the finances of Huerfano School District RE-1, in a manner similar to private-sector business.

The Statement of Net Position 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 cash is received or paid. The Statement of Net Position presents information on all of the District's assets and liabilities, with the differences between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Huerfano School District RE-1 is improving or deteriorating. To assess the District's overall health, you need to consider additional non-financial factors such as the condition of school buildings and other facilities.

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

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). Included in governmental activities are most of the District's basic services such as regular and special education, transportation, maintenance and operations, food services and administration. Prior to July 1, 2014 food services were accounted for as a business-type activity.

The basic district-wide financial statements can be found on pages 3 and 4 of the audited financial statements.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds, not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. Certain funds are required by law while other funds control and manage money for particular purposes (such as federal grants or student activity). The District's funds are divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which focus on (1) inflows and outflows of cash and other financial assets and (2) balances remaining at year-end which are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine financial resources that may be available in the near term to finance the District's programs. Because this information does not encompass the long-term focus of the district-wide statements, a reconciling schedule is included on the governmental funds statements explaining the relationship (or difference) between them.

Huerfano School District RE-1 maintains six governmental funds: General Fund including a sub-fund for the Colorado Preschool Program, Food Service, Government Designated Grants, Student Activity, Bond

Redemption, and Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Supplementary information includes budget-to-actual information for all government funds as required by State law. The basic governmental fund financial statements can be found on pages 5 through 8 of the audited financial statements.

- **Proprietary Funds:** Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the district-wide statements.
- **Enterprise Funds:** Huerfano School District RE-1 no longer has enterprise funds.

Fiduciary Funds: Fiduciary funds are used to account for resources held for the benefit of parties outside the government. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes stated by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations. The District currently does not have any fiduciary funds.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 35.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information starting on page 36. This includes budget-to-actual information for all funds as dictated by State law.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All financial activities of the District are reported on the accrual basis of accounting. This section explains the differences between the current and prior year's assets, liabilities, and changes in the net position. Table 3 provides a comparison of the District's net position as of June 30, 2016 to June 30, 2015.

Table 3
Huerfano School District RE-1
Condensed Statement of Net Position

	6/30/2016 Governmental Activities	6/30/2015 Governmental Activities	Net Change
ASSETS			
Current & Other Assets	\$ 4,007,172	\$ 3,686,669	\$ 320,503
Capital Assets	\$ 12,169,805	\$ 12,627,269	\$ (457,464)
Total Assets	\$ 16,176,977	\$ 16,313,938	\$ (136,961)
DEFERRED OUTFLOWS OF RESOURCES			
Bond Refunding	\$ 100,607	\$ 127,979	\$ (27,372)
Pension Cost - Subsequent Contributions	\$ 265,304	\$ 254,183	\$ 11,121
Pension Cost - Investment Change	\$ 972,895	\$ 189,023	\$ 783,872
Total Deferred Outflows of Resources	\$ 1,338,806	\$ 571,185	\$ 767,621
Current Liabilities	\$ 1,169,879	\$ 920,160	\$ 249,719
Non-Current Liabilities	\$ 12,286,258	\$ 12,200,644	\$ 85,614
Total Liabilities	\$ 13,456,137	\$ 13,120,804	\$ 335,333
DEFERRED INFLOWS OF RESOURCES			
Deferred Pension Earnings	\$ 691,110	\$ 571	\$ 690,539
Net Position			
Net Investment in Capital Assets	\$ 9,529,802	\$ 9,584,270	\$ (54,468)
Restricted For:			
TABOR	\$ 138,300	\$ 145,150	\$ (6,850)
Preschool	\$ -	\$ -	\$ -
Debt	\$ 673,864	\$ 690,507	\$ (16,643)
Food Service	\$ 97,029	\$ 100,061	\$ (3,032)
Unrestricted	\$ (7,070,459)	\$ (6,756,240)	\$ (314,219)
Total Net Position	\$ 3,368,536	\$ 3,763,748	\$ (395,212)

The Statement of Net Position reports all financial and capital resources. The statement presents assets and liabilities in order of relative liquidity. Liabilities reported as current include accounts payable, accrued salaries and benefits and amounts due on general obligation bonds within one year. The difference between the District's assets and liabilities is its net position.

Current Assets increased by \$320,503 primarily due to increase in cash balances at year end and an increase in taxes receivable. Capital Assets decreased by \$457,464 due to the net effect of capital asset additions offset by depreciation.

Total Liabilities increased by \$335,333 primarily due to grant revenue of \$250,817 received during the current year but not spent by June 30, 2016. Total Liabilities also increased due to the increase of \$510,150 in Net Pension Obligation offset by payment of principal on general obligation bonds in the amount of \$330,000 and the payment of the outstanding balance for the capital lease agreement for the purchase of computer hardware of \$72,996.

Net position decreased \$395,212. Net position decreased \$231,473 from current operations and \$163,739 due to a prior period adjustment for PERA contributions due for prior years.

Changes in Net Assets

The District's Governmental Activities are reported on the accrual basis of accounting. Table 4 provides a summary of the changes in Net Position and comparison of revenues and expenditures from FY 2015-16 to FY 2014-15.

Table 4
Huerfano School District RE-1
Condensed Statement of Changes in Net Position

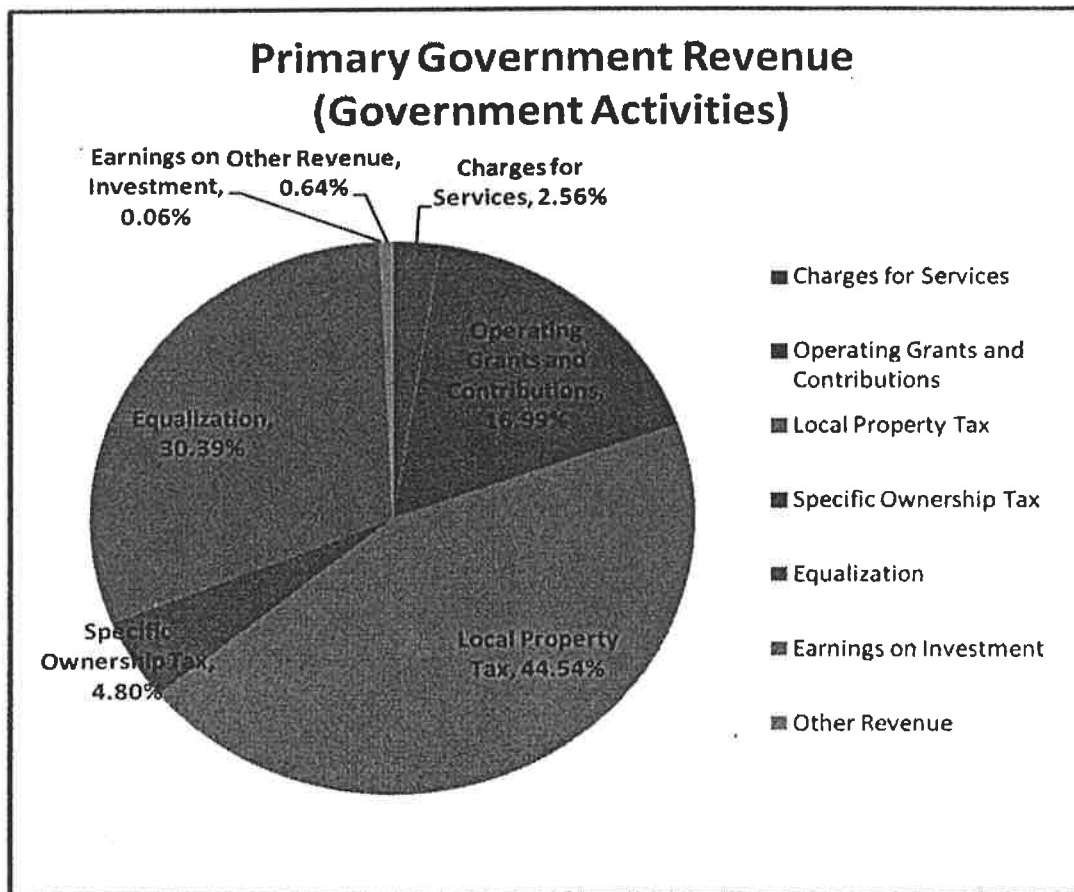
	6/30/2016 Governmental Activities	6/30/2015 Governmental Activities	Net Change
Program Revenues			
Charges for Services	\$ 150,774	\$ 194,639	\$ (43,865)
Operating Grants & Contributions	\$ 999,604	\$ 756,219	\$ 243,385
Capital Grants & Contributions	\$ -	\$ 231,884	\$ (231,884)
General Revenues			
Property Taxes	\$ 2,620,032	\$ 2,470,991	\$ 149,041
Specific Ownership Taxes	\$ 282,592	\$ 265,874	\$ 16,718
School Finance Act (Equalization)	\$ 1,787,629	\$ 1,794,551	\$ (6,922)
Earnings on Investments	\$ 3,788	\$ 1,459	\$ 2,329
Other Revenue	\$ 37,466	\$ 88,403	\$ (50,937)
Total General Revenues	\$ 4,731,507	\$ 4,621,278	\$ 110,229
Total Revenues	\$ 5,881,885	\$ 5,804,020	\$ 77,865
Expenses			
Instruction	\$ 3,164,621	\$ 3,499,430	\$ (334,809)
Student Support	\$ 105,001	\$ 113,043	\$ (8,042)
Instructional Staff	\$ 178,644	\$ 57,160	\$ 121,484
General Administration	\$ 241,731	\$ 249,691	\$ (7,960)
School Administration	\$ 429,579	\$ 384,261	\$ 45,318
Business Support	\$ 198,533	\$ 204,304	\$ (5,771)
Operations & Maintenance	\$ 581,506	\$ 640,072	\$ (58,566)
Student Transportation	\$ 225,812	\$ 267,262	\$ (41,450)
Central Support	\$ 306,143	\$ 354,471	\$ (48,328)
Food Service	\$ 333,773	\$ 318,653	\$ 15,120
Other Support	\$ -	\$ 581	\$ (581)
Capital Outlay	\$ 9,660	\$ 239,834	\$ (230,174)
Interest on Long-Term Debt	\$ 96,398	\$ 99,196	\$ (2,798)
Pension Amortization	\$ 241,957	\$ 53,747	\$ 188,210
Total Expenses	\$ 6,113,358	\$ 6,481,705	\$ (368,347)
Changes in Net Position	\$ (231,473)	\$ (677,685)	\$ 446,212
Net Position, Beginning Restated	\$ 3,763,748	\$ 4,467,535	\$ (703,787)
Prior Period Adjustment	\$ (163,739)	\$ (26,102)	\$ (137,637)
Net Position, Ending	\$ 3,368,536	\$ 3,763,748	\$ (395,212)

Revenues increased overall by \$77,865 primarily due to the net increase in components of Public School Finance Act Funding.

Expenses decreased by \$368,347 or 5.6% over the prior year of which \$230,174 is from the decrease in purchase of capital assets offset by the increase in amortization of deferred pension expenses of \$188,210. Instructional expenses decreased \$334,809 offset by an increase in Instructional Staff of \$121,484. Expenditures in Operations and Maintenance, Transportation, and Central Support also decreased.

TABLE 5

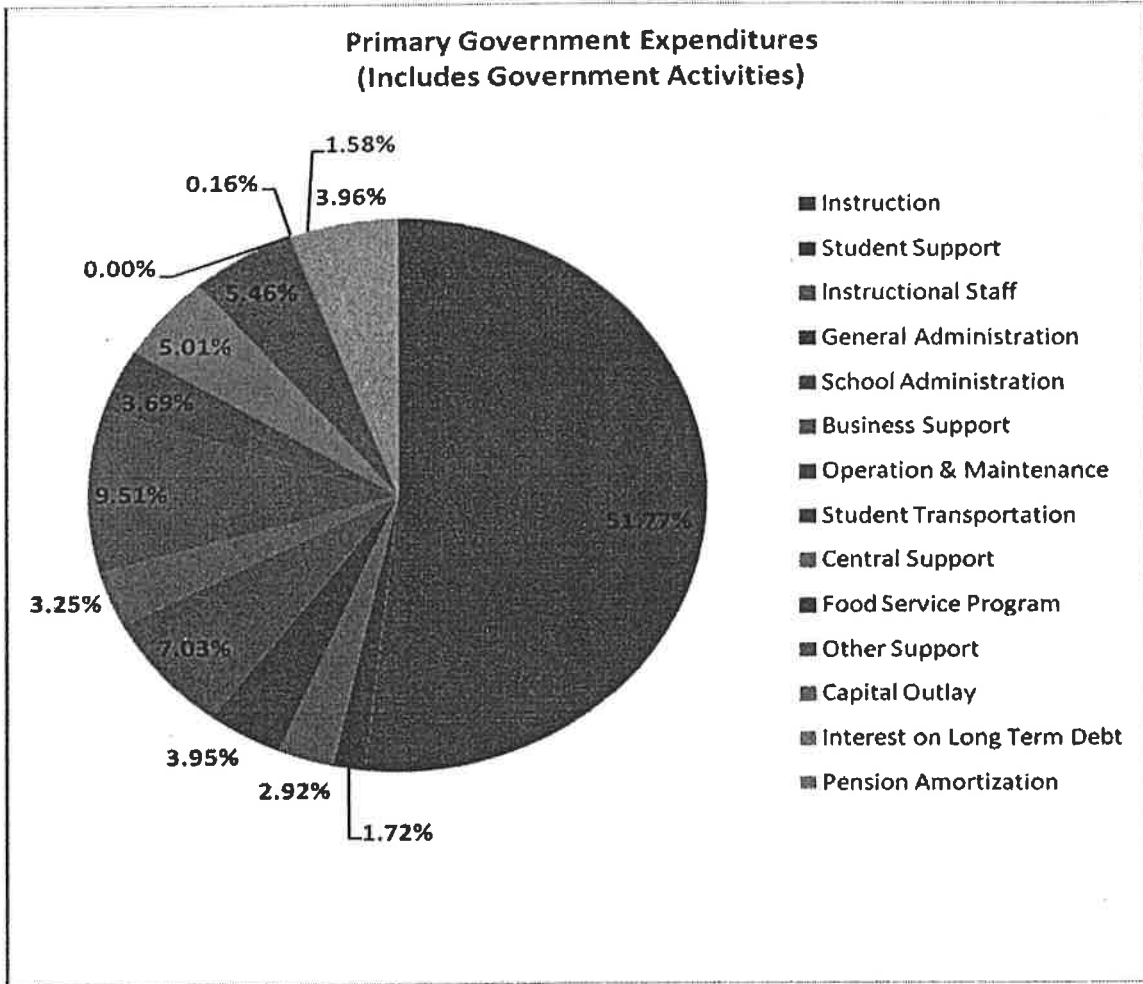
**Huerfano School District RE-1
Government-Wide
Total Revenues FY 2015-16**



**PRIMARY GOVERNMENT REVENUE
(Government Activities)**

Charges for Services	\$ 150,774	2.56%
Operating Grants and Contributions	\$ 999,604	16.99%
Local Property Tax	\$ 2,620,032	44.54%
Specific Ownership Tax	\$ 282,592	4.80%
Equalization	\$ 1,787,629	30.39%
Earnings on Investment	\$ 3,788	0.06%
Other Revenue	\$ 37,466	0.64%
	<u>\$ 5,881,885</u>	<u>100.00%</u>

**Table 6
Huerfano School District RE-1
Government Wide
Total Expenditures FY 2015-16**



**Primary Government Expenditures
(Includes Government Activities)**

Instruction	\$ 3,164,621	51.77%
Student Support	\$ 105,001	1.72%
Instructional Staff	\$ 178,644	2.92%
General Administration	\$ 241,731	3.95%
School Administration	\$ 429,579	7.03%
Business Support	\$ 198,533	3.25%
Operation & Maintenance	\$ 581,506	9.51%
Student Transportation	\$ 225,812	3.69%
Central Support	\$ 306,143	5.01%
Food Service Program	\$ 333,773	5.46%
Other Support	\$ -	0.00%
Capital Outlay	\$ 9,660	0.16%
Interest on Long Term Debt	\$ 96,398	1.58%
Pension Amortization	\$ 241,957	3.96%
	\$ 6,113,358	100.00%

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$8,031 per funded in-school student compared to \$7,672 the prior year. The District's actual funded pupil count on October 1, 2015 was 511.4 compared to 504.1 the prior year. Statute provides for averaging with prior years for declining enrollment districts such as Huerfano RE-1. The District was actually funded on the computed average funded pupil count of 511.4 for FY 2015-16 compared to 510.3 for FY 2014-15.

Total Program Funding from the School Finance Act comes from property taxes, specific ownership taxes, and state equalization. The District received \$4,045,579 under the School Finance Act compared to \$3,985,947 the prior year. The state share decreased to 42% in 2015-16 compared to 42.7% the prior year. The local share which includes property taxes and specific ownership taxes makes up the other 58.0% of funding from school finance.

The statement of activities provides the cost of program services and the related charges for services and grants offsetting those costs. Table 7 reflects each program's net cost (total cost less fees generated by the programs and intergovernmental aid provided for specific programs).

Table 7
Huerfano School District RE-1
Net Cost of Governmental Activities
Comparison from FY 2015-16 to 2014-15

	FY 2015-16 Total Cost of Service	FY 2015-16 Service Fees Grants and Contributions	FY 2015-16 Net Cost Of Services	FY 2014-15 Total Cost of Service	FY 2014-15 Service Fees Grants and Contributions	FY 2014-15 Net Cost Of Services	Net Change
Governmental Activities							
Instruction	\$ 3,164,621	\$ 585,433	\$ 2,579,188	\$ 3,499,430	\$ 525,700	\$ 2,973,730	\$ (394,542)
Student Support	\$ 105,001	\$ 456	\$ 104,545	\$ 113,043	\$ -	\$ 113,043	\$ (8,498)
Instructional Staff	\$ 178,644	\$ 155,880	\$ 22,764	\$ 57,160	\$ 46,354	\$ 10,806	\$ 11,958
General Administration	\$ 241,731	\$ -	\$ 241,731	\$ 249,691	\$ -	\$ 249,691	\$ (7,960)
School Administration	\$ 429,579	\$ 45	\$ 429,534	\$ 384,261	\$ -	\$ 384,261	\$ 45,273
Business Support	\$ 198,533	\$ -	\$ 198,533	\$ 204,304	\$ 55	\$ 204,249	\$ (5,716)
Operation & Maintenance	\$ 581,506	\$ 35,717	\$ 545,789	\$ 640,072	\$ 54,044	\$ 586,028	\$ (40,239)
Student Transportation	\$ 225,812	\$ 61,450	\$ 164,362	\$ 267,262	\$ 56,354	\$ 210,908	\$ (46,546)
Central Support	\$ 306,143	\$ 13,815	\$ 292,328	\$ 354,471	\$ 4,274	\$ 350,197	\$ (57,869)
Food Service Program	\$ 333,773	\$ 297,582	\$ 36,191	\$ 318,653	\$ 263,496	\$ 55,157	\$ (18,966)
Other Support	\$ -	\$ -	\$ -	\$ 581	\$ 581	\$ -	\$ -
Capital Outlay	\$ 9,660	\$ -	\$ 9,660	\$ 239,834	\$ 231,884	\$ 7,950	\$ 1,710
Interest on Long Term Debt	\$ 96,398	\$ -	\$ 96,398	\$ 99,196	\$ -	\$ 99,196	\$ (2,798)
Pension Amortization	\$ 241,957	\$ -	\$ 241,957	\$ 53,747	\$ -	\$ 53,747	\$ 188,210
Total Primary Government	\$ 6,113,358	\$ 1,150,378	\$ 4,962,980	\$ 6,481,705	\$ 1,182,742	\$ 5,298,963	\$ (335,983)

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Governmental Funds

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

General Fund (Includes Fund 10/General Fund, Fund 19/CPP)

The General Fund is the major operating fund of the District, providing the majority of the resources for education and support programs. For fiscal year 2015-16 the beginning Fund Balance in the General Fund was \$1,838,017. Revenues in the General Fund totaled \$4,467,441 while expenditures totaled \$4,288,302 and transfers and allocations to other funds totaled \$120,000. The ending fund balance in the General Fund decreased by \$59,139 from current operations resulting in an ending fund balance of \$1,897,156 as of June 30, 2016 including \$138,300 reserved for TABOR in accordance with Colorado statute regarding emergency reserves.

The General Fund is solvent and remains in sound financial condition. The District continues to make budget adjustments as needed to ensure that expenditures do not exceed revenues in order to maintain an appropriate fund balance.

Government Designated Grants Fund/Special Revenue (Fund 22)

The Government Designated Grants Fund is used to record financial transactions for grants received for designated purposes funded by federal, state, or local governments. Special revenue funds are legally restricted to expenditures for specific purposes. Revenue in the Government Designated Grants Fund, which includes the Federal Consolidated Grants, totaled \$506,171. The District reported \$39,140 from state sources and \$467,031 from federal sources including the following grants over \$50,000:

- No Child Left Behind Grants
 - Title I, Part A
 - Title II-A, Teacher Quality
- School Improvement Grant
- Other Competitive Grants
 - 21st Century

Bond Redemption (Fund 31)

Revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest, are recorded in the Bond Redemption Fund, but are administered by a third-party custodian. The District's approved third-party custodian for the Bond Redemption Fund is UMB Bank. The 2015 bond mill levy was 4.561. Revenue, including property tax and specific ownership tax, in the Bond Redemption Fund totaled \$402,107. Bond principal and interest payments in the amount of \$418,750 were made in FY 2015-16. The Ending Fund Balance in the Bond Redemption Fund was \$673,864 at June 30, 2016 compared to \$690,507 the prior year.

Capital Projects Capital Reserve Fund (Fund 43)

The District uses a Capital Projects Fund to account for major projects that may take several years to complete and gifts and grants designated for the specific project are expected to be a major source of funding for that project.

The FY 2015-16 beginning Fund Balance in the Capital Projects Fund(43) was \$366,044. Revenues totaled \$80,457 including \$80,000 from transfers from the General Fund. Expenditures totaled \$137,444 including capital outlay totaling \$60,378 and \$77,066 for principal and interest paid on a capital lease leaving an ending Fund Balance at June 30, 2016 of \$309,057.

Student Activity (Fund 23)

The Student Activity Fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and inter-scholastic athletics and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities. The beginning Fund Balance in the Student Activity Fund was \$93,223. Revenues in the Student Activity Fund totaled \$135,442 including \$40,000 from transfers from the General Fund. Expenditures totaled \$164,166. The Fund Balance in the Student Activity Fund as of June 30, 2016 was \$64,499.

Food Service (Fund 21)

The Food Service Fund is used to record financial transactions related to the hot lunch and breakfast programs. The beginning Fund Balance in the Food Service Fund was \$110,270. Revenues in the Food Service Fund totaled \$297,582 including federal meal revenue of \$275,567, state revenue of 2,400, local revenue from meal sales totaling \$19,615. Expenditures totaled \$310,823 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2016 of \$97,029.

BUDGET ANALYSIS

The Board of Education approved a budget in June 2015 based on enrollment projections for the 2015-16 school year. Statute permits a district to amend its budget through December 31st each year, which the Board of Education approved at its meeting in January 2016. Budget comparisons appear on pages 35 through 43. Following is a discussion of significant variances of actual results compared to final budgets.

General Fund revenues were under budget by \$23,919 or .55%. Expenditures were under budget by \$76,004 or 1.86% with variance spread proportionally to all functions. Transfers to other funds were not made as scheduled to balance the budget and were, therefore, under budget by \$17,737.

Operating revenues from food sales were \$14,385 under budget while non-operating revenues were \$80,967 over budget. Expenditures were under budget by \$60,177. There were no transfers from General Fund in agreement with the amount budgeted. The District budgeted for use of fund balance in the amount of \$140,000 while actual results expended \$13,241 from fund balance.

Grant revenues equal expenditures and both were greater than budget by \$49,881 primarily due to an increase in both federal and state grant funds received.

Revenues in the Pupil Activities Special Revenue Fund were over budget by \$18,342 while expenditures were under budget by \$52,934. The subsidy from General Fund was \$40,000 equal to the amount budgeted. Overall, the fund balance decreased by \$28,724.

Revenues in the Bond Redemption Debt Service Fund were \$9,993 under budget. Spending was also \$418,750 under budget primarily due to not spending appropriated reserves which will be used for future bond payments. Ending fund balance decreased \$16,643.

In the Capital Projects Capital Reserve Fund, revenues including proceeds from a capital lease were under budget by \$29,643. Expenditures were \$432,656 below budget due in part to appropriated reserves that were not spent and the purchases of vehicles and facilities repairs being deferred.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Huerfano School District RE-1 owns land with a carrying value of \$247,347 and building and improvements capitalized at \$18,703,106 at June 30, 2016. Equipment and vehicles totaled \$1,384,020. In addition, the Districts Food Service Fund has equipment with a carrying value of \$306,627. The net carrying value of capital assets after subtracting accumulated depreciation is \$12,169,805 from governmental activities. During 2015-16 Huerfano School District RE-1 completed projects in the Capital Projects Capital Reserve Fund that increased the carrying value of buildings and improvements by \$50,718.

Long-term debt: District voters approved a general obligations bond of \$5,755,000 in 2002. General Obligation Bonds, Series 2002, were issued on December 15, 2002, for the original amount of \$5,755,000. In August 2011, Huerfano School District RE-1 issued \$4,140,000 in general obligation bonds with an average interest rate of 3.26% to advance refund \$4,030,000 of outstanding 2002 bonds with interest rates ranging from 3.875% to 4.8%. The refunding proceeds totaling \$4,284,565 were deposited with an escrow agent to provide debt service payments on the 2002 Series Bonds as they come due. As a result, a portion of the 2002 bonds, \$4,030,000 of principal and \$1,205,859 of interest, are considered to be defeased and the liability is not reported in these financial statements. The June 30, 2016 balance for the 2011 general obligation bonds was 2,565,000 after a principal payment of \$330,000.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The steady pattern of decline in the funded pupil count has leveled off. It is estimated that the state will see a slight increase in students. Huerfano's enrollment has been steadily declining but will see a slight increase in 2016-17. In Districts with declining enrollment such as Huerfano RE-1, the state averages the previous 5 years to determine an average funded count. The District's average "Funded Pupil Count" for 2015-16 was 511.4 compared to 510.3 for 2014-15, 526.5 for 2013-14, 547.3 for 2012-13.
- In FY 2009-10 nearly 3% of funding from the School Finance Act was rescinded by the State in January 2010. Funding for FY 2010-11 was frozen at the prior year level regardless of any increase in the number of students or other changes in economic factors in the School Finance Act formula. When the State revenue was not adequate to fund the full amount for School Finance, it was backfilled with one time monies from Federal Jobs Education grants and additional ARRA funding. These funds were not available in FY 2011-12 resulting in additional cuts in funding.

The base per pupil was held at the same level as FY 2011-12 for 2012-13. Per pupil funding for 2013-14 increased 2.8% with the negative factor going from 16.1% down to 15.4%. For 2014-15 per pupil funding increased by 5.8% and the negative factor decreased from 15.4% to 13 %. For 2015-16 per pupil funding increased 2.9% with the negative factor decreasing from 13% to 12.1%.

- Deficit spending had been a chronic problem, but the District has addressed the issue and had a small annual operating surplus for three years. For 2015-16 reduced spending increased the General Fund reserves by \$59,139 compared to \$68,683 the prior year. Districts should keep at least three to four months operating costs in reserves for unexpected economic changes in addition to required TABOR reserves. The District needs to continue to monitor its reserves and not rely on them to balance the budget.

CONTACTING THE FINANCIAL MANAGEMENT TEAM OF HUERFANO SCHOOL DISTRICT RE-1

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

If there are questions regarding this report or additional information is needed, contact Superintendent Michael Moore or Business Manager Karen E. Cordova at Huerfano School District RE-1, 201 East Fifth Street, Walsenburg, CO 81089.

BASIC FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF NET POSITION
June 30, 2016

	<u>Governmental</u> <u>Activities</u>	<u>Total</u>
<u>ASSETS</u>		
<u>Current Assets</u>		
Cash	2,508,403	2,508,403
Investments	1,014,286	1,014,286
Property Taxes Receivable	313,900	313,900
Accounts Receivable	25,664	25,664
Accrued Revenue	141,311	141,311
Inventories	3,608	3,608
<u>Total Current Assets</u>	<u>4,007,172</u>	<u>4,007,172</u>
<u>Capital Assets:</u>		
Land	247,347	247,347
Depreciable Assets	20,393,753	20,393,753
Accumulated Depreciation	(8,471,295)	(8,471,295)
<u>Capital Assets Net of Depreciation</u>	<u>12,169,805</u>	<u>12,169,805</u>
<u>TOTAL ASSETS</u>	<u>16,176,977</u>	<u>16,176,977</u>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Bond Refunding	100,607	100,607
Deferred Pension Cost - Plan	972,895	972,895
Deferred Pension Cost – Employer	-	-
District Contribution Subsequent to Pension Measurement Date	265,304	265,304
<u>Total Deferred Outflows of Resources</u>	<u>1,338,806</u>	<u>1,338,806</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	86,599	86,599
Accrued Salaries Payable	399,351	399,351
Accrued Interest	7,063	7,063
Unearned Grant Payments	250,817	250,817
Capital Lease - Current	75,003	75,003
General Obligation Bonds – Current	335,000	335,000
Bond Premium – Current	21,046	21,046
<u>Total Current Liabilities</u>	<u>1,174,879</u>	<u>1,174,879</u>
<u>Noncurrent Liabilities:</u>		
General Obligation Bonds	2,230,000	2,230,000
Bond Premium	64,384	64,384
Compensated Absences	82,942	82,942
Net Pension Liability	9,903,932	9,903,932
<u>Total Noncurrent Liabilities</u>	<u>12,281,258</u>	<u>12,281,258</u>
<u>TOTAL LIABILITIES</u>	<u>13,456,137</u>	<u>13,456,137</u>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Pension – Plan	140,372	140,372
Deferred Pension - Employer	550,738	550,738
<u>Total Deferred Inflows of Resources</u>	<u>691,110</u>	<u>691,110</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	9,529,802	9,529,802
Restricted for:		
TABOR (Emergencies)	138,300	138,300
Debt Service	673,864	673,864
Food Service	97,029	97,029
Unrestricted	(7,070,459)	(7,070,459)
<u>TOTAL NET POSITION</u>	<u>3,368,536</u>	<u>3,368,536</u>

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

			Program Revenues		in Net Position	
			Operating	Capital Grants	Primary Government	
			Grants &	and	Governmental	Total
			Contributions	Contributions	Activities	Total
			Charges for			
			Services			
<u>FUNCTIONS/PROGRAMS</u>						
<u>Primary Government:</u>						
<u>Governmental Activities</u>						
Instruction	3,164,621	95,442	489,991	-	(2,579,188)	(2,579,188)
Student Support	105,001	-	456	-	(104,545)	(104,545)
Instructional Staff	178,644	-	155,880	-	(22,764)	(22,764)
General Administration	241,731	-	-	-	(241,731)	(241,731)
School Administration	429,579	-	45	-	(429,534)	(429,534)
Business Support	198,533	-	-	-	(198,533)	(198,533)
Operation & Maintenance	581,506	35,717	-	-	(545,789)	(545,789)
Student Transportation	225,812	-	61,450	-	(164,362)	(164,362)
Central Support	306,143	-	13,815	-	(292,328)	(292,328)
Food Services	333,773	19,615	277,967	-	(36,191)	(36,191)
Community Services	-	-	-	-	-	-
Capital Outlay	9,660	-	-	-	(9,660)	(9,660)
Interest Expense	96,398	-	-	-	(96,398)	(96,398)
Pension Expense	241,957	-	-	-	(241,957)	(241,957)
Total Governmental Activities	<u>6,113,358</u>	<u>150,774</u>	<u>999,604</u>	<u>-</u>	<u>(4,962,980)</u>	<u>(4,962,980)</u>
Total Primary Government	<u>6,113,358</u>	<u>150,774</u>	<u>999,604</u>	<u>-</u>	<u>(4,962,980)</u>	<u>(4,962,980)</u>
<u>General Revenues</u>						
Local Property Taxes					2,620,032	2,620,032
Small Attendance Center					90,036	90,036
Specific Ownership Taxes					282,592	282,592
School Finance Act					1,697,593	1,697,593
Earnings on Investments					3,788	3,788
Other					37,466	37,466
Total General Revenues					<u>4,731,507</u>	<u>4,731,507</u>
Changes in Net Position					<u>(231,473)</u>	<u>(231,473)</u>
Net Position, Beginning					<u>3,763,748</u>	<u>3,763,748</u>
Prior Year Adjustment					<u>(163,739)</u>	<u>(163,739)</u>
Net Position, Ending					<u>3,368,536</u>	<u>3,368,536</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016**

	<u>General</u>	<u>Grants Special Revenue Fund</u>	<u>Bond Redemption Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>					
Cash	1,435,430	94,182	650,048	328,743	2,508,403
Investments	890,761	-	-	123,525	1,014,286
Property Taxes Receivable	263,200	-	50,700	-	313,900
Due From Other Funds	81,637	-	10,716	-	92,353
Accrued Revenue	-	141,311	-	-	141,311
Accounts Receivable	-	-	-	25,664	25,664
Inventories	-	-	-	3,608	3,608
Total Assets	<u>2,671,028</u>	<u>235,493</u>	<u>711,464</u>	<u>481,540</u>	<u>4,099,525</u>
<u>LIABILITIES:</u>					
Accounts Payable	59,498	6,118	-	6,855	72,471
Intergovernmental Payable	14,128	-	-	-	14,128
Due To Other Funds	10,716	81,637	-	-	92,353
Unearned Grant Payments	147,830	102,987	-	-	250,817
Accrued Salaries Payable	<u>350,500</u>	<u>44,751</u>	-	<u>4,100</u>	<u>399,351</u>
Total Liabilities	<u>582,672</u>	<u>235,493</u>	<u>-</u>	<u>10,955</u>	<u>829,120</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>					
Property Tax	<u>191,200</u>	<u>-</u>	<u>37,600</u>	<u>-</u>	<u>228,800</u>
<u>FUND BALANCES:</u>					
Nonspendable:					
Inventories	-	-	-	3,608	3,608
Restricted for:					
TABOR (Emergencies)	138,300	-	-	-	138,300
Debt Service	-	-	673,864	-	673,864
Food Service	-	-	-	93,421	93,421
Committed for:					
Risk Management	-	-	-	-	-
Capital Outlay	-	-	-	309,057	309,057
Assigned for:					
Pupil Activities	-	-	-	64,499	64,499
Unassigned	<u>1,758,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,856</u>
Total Fund Balances	<u>1,897,156</u>	<u>-</u>	<u>673,864</u>	<u>470,585</u>	<u>3,041,605</u>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u>					
	<u>2,671,028</u>	<u>235,493</u>	<u>711,464</u>	<u>481,540</u>	<u>4,099,525</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO STATEMENT OF NET POSITION
June 30, 2016**

<u>GOVERNMENTAL FUNDS TOTAL FUND BALANCE</u>	3,041,605
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	228,800
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	20,641,100
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(8,471,295)
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	(7,063)
Long-term liabilities, including general obligation bonds are not due and payable in the current period and therefore are not reported in funds.	
Capital Leases	(75,003)
General Obligation Bonds	(2,565,000)
Unamortized Bond Premium	(85,430)
Loss on Bond Refunding	<u>100,607</u>
	(2,624,826)
Compensated absences are not reported as a liability in the funds.	(82,942)
Net pension liability, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(9,903,932)
Deferred Pension Cost – Plan	832,523
Deferred Pension Cost – Contributions Subsequent to Pension Measurement Date	265,304
Deferred Pension Cost – Employer	<u>(550,738)</u>
<u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u>	<u>3,368,536</u>

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>General</u>	<u>Grants Special Revenue Fund</u>	<u>Bond Redemption Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Taxes	2,374,138	-	402,046	-	2,776,184
Intergovernmental	2,005,697	506,171	-	277,967	2,789,835
Interest	3,210	-	61	517	3,788
Other	84,396	-	-	114,997	199,393
Total Revenues	4,467,441	506,171	402,107	393,481	5,769,200
EXPENDITURES					
Current:					
Instruction	2,207,364	335,975	-	164,166	2,707,505
Student Support	104,545	456	-	-	105,001
Instructional Staff	22,764	155,880	-	-	178,644
General Administration	251,218	45	-	-	251,263
School Administration	429,579	-	-	-	429,579
Business Services	198,533	-	-	-	198,533
Operations & Maintenance	581,506	-	-	-	581,506
Student Transportation	196,762	-	-	-	196,762
Central Support	292,328	13,815	-	-	306,143
Food Services	3,703	-	-	310,823	314,526
Community Services	-	-	-	-	-
Capital Outlay	-	-	-	60,378	60,378
Debt Service	-	-	418,750	77,066	495,816
Total Expenditures	4,288,302	506,171	418,750	612,433	5,825,656
Excess of Revenues Over (Under)					
Expenditures	179,139	-	(16,643)	(218,952)	(56,456)
Other Financing Sources (Uses)					
Operating Transfers In (Out)	(120,000)	-	-	120,000	-
Total Other Financing Sources (Uses)	(120,000)	-	-	120,000	-
Net Changes in Fund Balances	59,139	-	(16,643)	(98,952)	(56,456)
FUND BALANCES, Beginning	1,838,017	-	690,507	569,537	3,098,061
PRIOR YEAR ADJUSTMENT	-	-	-	-	-
FUND BALANCES, Ending	1,897,156	-	673,864	470,585	3,041,605

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
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

<u>GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES</u>		(56,456)
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.		228,800
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		50,718
Compensated absences do not use current financial resources and are not reported on the governmental fund financial statements but are recognized on the government-wide financial statements.		(1,514)
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(508,182)
Deferred Property Taxes of the prior year – Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year net position on the statement of activities		(102,300)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
	Repayment of Debt Principal	402,996
	Interest Expense	<u>(3,578)</u>
		399,418
The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level:		
	Change in net pension liability and related deferred flows	<u>(241,957)</u>
<u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u>		<u>(231,473)</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Huerfano School District Number RE-1 of Huerfano County was organized by a vote of qualified electorate on April 14, 1959, under the provisions of the Colorado School Organization Act of 1957. The District operates under an elected Board of Education with seven members and provides educational services to approximately 488 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Huerfano School District Number RE-1. 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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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 and proprietary funds. Major individual governmental funds (General Fund, Grants Special Revenue Fund and Bond Redemption Debt Service) and 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.

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 unassigned fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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 statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net 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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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. **Special Revenue Governmental Designated – Purpose Grants Fund** – used to account for restricted state and federal grants including, but not limited to, No Child Left Behind programs which must be expanded as designated by the grantor agency.
 3. **Bond Redemption Fund** – is used to account for the debt service payments of the District.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 inflows in the fund financial statements, 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 or business-type activities columns in the government-wide financial statements.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

H. Capital Assets (Continued)

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 for governmental funds and \$500 for proprietary funds. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-35 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

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 and the Capital Reserve Capital Projects 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.

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 Huerfano School District Number RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. Constitutional Amendment (Continued)

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future 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 \$138,300 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 Huerfano County was as follows:

Levy Date	December 22, 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

L. Accumulated Leave

The Board shall provide sick leave for all regular full-time and part-time employees of the District in direct relation to the full time equivalency of the employee (e.g. a full-time employee shall receive 100% of the sick leave provided for full-time employees whereas a "3/4 time" employee shall receive 75% of sick leave benefits provided for full-time employees). Those part-time employees who work the same number of days as full time employees, but only work as a reduced day, such as a four hour day; shall receive the same number of days of paid sick leave as the full time employees; however the pay for such days shall equal the per diem then being received by the part-time employee. Substitute employees such as substitute teachers and temporary staff are not eligible for any sick leave benefits.

Compensated absences are reported as non-current liabilities in the government-wide financial statements. As of June 30, 2016, the District has recorded an estimated liability of \$82,942 relating to accrued sick leave payable and accrued vacation.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

L. Accumulated 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>
Accumulated Leave	<u>81,428</u>	<u>1,514</u>	<u>-</u>	<u>82,942</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. Interest Expense

All interest expense has been reported as unallocated in the Government-wide financial statements.

O. 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.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2016**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

O. GASB Statement No. 54 (Continued)

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.

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>Capital Projects Capital Reserve Fund</u>	<u>Special Revenue Fund Grants Fund</u>	<u>Bond Redemption Debt Service Fund</u>	<u>Special Revenue Student Activities Fund</u>	<u>Special Revenue Food Services Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>							
Inventories	-	-	-	-	-	3,608	3,608
<u>Restricted:</u>							
Emergencies	138,300	-	-	-	-	-	138,300
Debt Service	-	-	-	673,864	-	-	673,864
Food Service	-	-	-	-	-	93,421	93,421
<u>Committed:</u>							
Risk Management	-	-	-	-	-	-	-
Capital Outlay	-	309,057	-	-	-	-	309,057
<u>Assigned:</u>							
Pupil Activities	-	-	-	-	64,499	-	64,499
<u>Unassigned:</u>	<u>1,758,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,758,856</u>
<u>Total Fund</u>							
<u>Balances</u>	<u>1,897,156</u>	<u>309,057</u>	<u>-</u>	<u>673,864</u>	<u>64,499</u>	<u>97,029</u>	<u>3,041,605</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

P. 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.

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 government 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. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

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

	Items Eliminated		
	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Transfers In (Out)</u>
General Fund	81,637	10,716	(120,000)
Grants - Special Revenue Fund	-	81,637	-
Bond Redemption – Debt Service Fund	10,716	-	-
Student Activity – Special Revenue Fund	-	-	40,000
Capital Reserve– Capital Projects Fund	-	-	80,000
Food Service – Special Revenue Fund	-	-	-
<u>Totals</u>	<u>92,353</u>	<u>92,353</u>	<u>-</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, Debt Service Funds and Capital Projects Funds.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 3 BUDGETARY INFORMATION (Continued)

6. Budgets for the General, Special Revenue, Debt Service and Capital Projects are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,938,807	1,730,438
Cash with County Treasurer	<u>69,596</u>	<u>-</u>
<u>Total Cash and Deposits</u>	<u>2,508,403</u>	<u>2,230,438</u>

As presented above, deposits with a bank balance of \$1,730,438 and a carrying balance of \$1,938,807 as of June 30, 2016 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
 NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016**

NOTE 4 CASH AND INVESTMENTS (Continued)

Investments

At June 30, 2016, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
COLO TRUST Plus	Under 60 Day Average	<u>1,014,286</u>	AAA

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities for managing possible fair value losses due to increasing interest rates.

Credit Risk – State Law limits the type of investments allowable. The ratings by Standard & Poor for each investment are disclosed above.

Concentration of Credit Risk – the District has no policy restricting the amount that can be invested in any issuer.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- **ColoTrust Investment Pool of \$1,014,286 is valued using quoted market prices (Level 1 inputs)**

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<u>Non-Depreciable Assets:</u>				
Land	247,347	-	-	247,347
Construction in Progress	-	-	-	-
<u>Total Non-Depreciable Assets</u>	<u>247,347</u>	<u>-</u>	<u>-</u>	<u>247,347</u>
<u>Depreciable Assets:</u>				
Buildings & Improvements	18,652,388	50,718	-	18,703,106
Equipment & Vehicles	1,384,020	-	-	1,384,020
Food Service	306,627	-	-	306,627
<u>Total Depreciable Assets</u>	<u>20,343,035</u>	<u>50,718</u>	<u>-</u>	<u>20,393,753</u>
<u>Less Accumulated</u>				
<u>Depreciation for:</u>				
Building & Improvements	6,435,735	448,493	-	6,884,228
Equipment & Vehicles	1,280,138	40,442	-	1,320,580
Food Services	247,240	19,247	-	266,487
<u>Total Accumulated</u>				
<u>Depreciation</u>	<u>7,963,113</u>	<u>508,182</u>	<u>-</u>	<u>8,471,295</u>
Governmental Activities				
Capital Assets, Net	<u>12,627,269</u>	<u>(457,464)</u>	<u>-</u>	<u>12,169,805</u>

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

Governmental Activities:

Instruction	455,602
General Administration	4,283
Operation & Maintenance	-
Transportation	29,050
Food Service	<u>19,247</u>
<u>Total Depreciation Governmental Activities</u>	<u>508,182</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 6 **INTERFUND**

RECEIVABLES AND PAYABLES

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Repayment Period</u>
General	81,637	10,716	Current Operations	Within 1 Year
Special Revenue:				
Food Services	-	-	Current Operations	Within 1 Year
Student Activity	-	-	Current Operations	Within 1 Year
Grants	-	81,637	Current Operations	Within 1 Year
Bond Redemption – Debt Service Fund	10,716	-	Deposit Error	Within 1 Year
Capital Projects – Capital Reserve Fund	-	-	Current Operations	Within 1 Year
	<u>92,353</u>	<u>92,353</u>		

TRANSFERS

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	-	120,000	Current Operations
Special Revenue:			
Student Activity	40,000	-	Current Operations
Capital Projects:			
Capital Reserve	<u>80,000</u>	-	Current Operations
	<u>120,000</u>	<u>120,000</u>	

NOTE 7 **GENERAL OBLIGATION BONDS PAYABLE**

General Obligation Refunding Series 2011

On August 23, 2011 the District issued \$4,140,000 in General Obligation Refunding Bonds with an average interest rate of 3.26% to advance refund \$4,030,000 outstanding 2002 General Obligation Bonds bearing interest rates ranging from 3.875% to 4.800%. Refunding proceeds of \$4,284,565 were deposited with an escrow agent to provide debt service payments of \$4,030,000 in principal and \$1,205,862 in interest on the 2002 Series Bonds. As a result, that portion of 2002 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2016 was \$2,595,000.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 **GENERAL OBLIGATION BONDS PAYABLE (Continued)**

General Obligation Refunding Series 2011 (Continued)

Payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	335,000	79,725	414,725
2018	360,000	69,300	429,300
2019	350,000	58,650	408,650
2020	365,000	47,925	412,925
2021	375,000	36,825	411,825
2022-2023	<u>780,000</u>	<u>31,200</u>	<u>811,200</u>
Total	<u>2,565,000</u>	<u>323,625</u>	<u>2,888,625</u>

The following is a summary of the changes in General Obligation Bonds:

<u>General Obligation Bonds:</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Series 2011	<u>2,895,000</u>	<u> -</u>	<u>330,000</u>	<u>2,565,000</u>	<u>335,000</u>

NOTE 8 **CAPITAL LEASE PAYABLE**

The District has entered into a capital lease agreement to purchase computer hardware. The lease term is for two years with an annual interest rate of 2.75% with annual payments of \$77,066.03.

Capital lease obligations for the fiscal year ended June 30, 2016 are comprised of the following:

<u>Governmental Funds:</u>	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Capital Reserve – Capital Projects Fund	<u>147,999</u>	<u> -</u>	<u>72,996</u>	<u>75,003</u>	<u>75,003</u>

Annual debt service requirements to maturity for the lease purchase agreement is as follows:

	<u>Fiscal Year</u>	<u>Interest</u>	<u>Principal</u>	<u>Annual Payment</u>
	2017	<u>2,063</u>	<u>75,003</u>	<u>77,066</u>
Totals		<u>2,063</u>	<u>75,003</u>	<u>77,066</u>
<u>Less Amount Representing Interest</u>				<u>(2,063)</u>
<u>Present Value of Future Minimum Lease Payments</u>				<u>75,003</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 **PENSION PLAN**

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

Pensions. Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 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.

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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 **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.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 9 PENSION PLAN (Continued)

Contributions. Eligible employees and Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Huerfano School District Number RE-1 were \$501,438 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 Huerfano School District Number RE-1 reported a liability of \$9,903,932 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 Huerfano School District Number RE-1 proportion of the net pension liability was based on Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 proportion was 0.0648 percent, which was a decrease of 0.0046 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Huerfano School District Number RE-1 recognized pension expense of \$241,957. At June 30, 2016, the Huerfano School District Number RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2016

NOTE 9 **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	130,783	(412)
Changes of assumptions or other inputs	0	(139,960)
Net difference between projected and actual earnings on pension plan investments	842,112	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	(550,738)
Contributions subsequent to the measurement date	265,304	N/A
Total	1,238,199	(691,110)

\$265,304 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	(10,784)
2018	7,483
2019	112,400
2020	172,686
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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 **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:

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 9 **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.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 9 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 Huerfano School District Number RE-1 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-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	12,838,391	9,903,932	7,463,010

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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 9 **PENSION PLAN (Continued)**

Defined Contribution Pension Plan

Voluntary Investment Program

Plan Description – Employees of the Huerfano School District Number RE-1 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.

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 \$6,565.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Huerfano School District Number RE-1 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.

Funding Policy – The Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 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 Huerfano School District Number RE-1 contributions to the HCTF were \$28,824, \$29,592 and \$28,017, respectively equal to their required contributions for each year.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016**

NOTE 10 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.

NOTE 11 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	<u>46,958,320</u>
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	-
Net Income (Loss) Before Dividend	<u>(2,388,357)</u>
Dividend	-
Net Income	<u>(2,388,357)</u>
Change in Non Admitted Assets	<u>95,339</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>24,325,009</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 LITIGATION

None.

NOTE 13 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 14 JOINT VENTURES

South-Central Board of Cooperative Educational Services

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 District has one member on the Board. The 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 unaudited financial information as of June 30, 2015 is as follows:

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

The BOCES has no long term debt.

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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 15 **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, are estimated to be \$399,351 and will be paid during the 2016-2017 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

NOTE 16 **INVENTORIES**

Food Service Fund inventories at June 30, 2016, consisted of purchased food, commodities and non-food amounting to \$1,774, \$1,276 and \$558 respectively. 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 17 **COMPLIANCE WITH BUDGET LAWS**

The following condition was noted and may be a violation of Colorado Law:

Expenditures in the Grant Fund exceeded budgeted amounts by \$49,881.

NOTE 18 **PRIOR PERIOD ADJUSTMENT**

In the fiscal year ended June 30, 2015, no deferred inflow was recorded for the change in proportion of the District's contributions to PERA in relation to their portion of the net pension liability originally recorded during the implementation of GASB Statements No. 68 and 71. The amount of deferred inflow at June 30, 2015 that should have been recorded was \$163,739. The Statement of Activities reflects the corresponding reduction to entity-wide net position as of that date as a prior period adjustment.

REQUIRED SUPPLEMENTARY INFORMATION

BUDGETARY COMPARISONS

PENSION TREND DATA

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.

Special Revenue Funds

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Grants Fund – This fund is provided to maintain a separate accounting for federal and state grant funded programs which normally have a different fiscal period than that of the District.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
<u>Local Sources</u>				
Property Taxes	1,938,600	1,938,600	2,065,394	126,794
Specific Ownership Taxes	237,300	237,300	282,592	45,292
Earnings on Investments	2,000	2,000	3,210	1,210
Delinquent Taxes & Interest	18,500	18,500	26,152	7,652
Rental Income	30,000	30,000	35,717	5,717
Local Grants BOCES	20,000	20,000	28,269	8,269
Other	<u>97,700</u>	<u>97,700</u>	<u>20,410</u>	<u>(77,290)</u>
<u>Total Local Sources</u>	<u>2,344,100</u>	<u>2,344,100</u>	<u>2,461,744</u>	<u>117,644</u>
<u>Intermediary Sources</u>				
Mineral Leases	2,500	2,500	2,602	102
Cash in Lieu of Land Deduction	7,000	7,000	-	(7,000)
Secure Rural Funding Authority	<u>25,000</u>	<u>25,000</u>	<u>136,765</u>	<u>111,765</u>
<u>Total Intermediary Sources</u>	<u>34,500</u>	<u>34,500</u>	<u>139,367</u>	<u>104,867</u>
<u>State Sources</u>				
Equalization	1,947,100	1,947,100	1,697,593	(249,507)
State ELPA	-	-	2,557	2,557
ELPA	2,000	2,000	1,718	(282)
Small Attendance Center	91,500	91,500	90,036	(1,464)
Transportation	55,000	55,000	61,450	6,450
Read Act	20,000	20,000	3,600	(16,400)
Library Grant	-	-	3,500	3,500
At Risk Supplemental	-	-	5,876	5,876
State Grants BOCES	<u>8,000</u>	<u>8,000</u>	<u>-</u>	<u>(8,000)</u>
<u>Total State Sources</u>	<u>2,123,600</u>	<u>2,123,600</u>	<u>1,866,330</u>	<u>(257,270)</u>
<u>TOTAL REVENUES</u>	<u>4,502,200</u>	<u>4,502,200</u>	<u>4,467,441</u>	<u>(34,759)</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
For the year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>EXPENDITURES</u>				
<u>Instruction</u>	<u>2,314,619</u>	<u>2,314,619</u>	<u>2,207,364</u>	<u>107,255</u>
<u>Supporting Services:</u>				
Students	109,890	109,890	104,545	5,345
Instructional Staff	9,620	9,620	22,764	(13,144)
General Administration	248,070	248,070	251,218	(3,148)
School Administration	414,196	414,196	429,579	(15,383)
Business Services	210,305	210,305	198,533	11,772
Operations and Maintenance	582,785	582,785	581,506	1,279
Student Transportation	216,490	216,490	196,762	19,728
Central Support	302,800	302,800	292,328	10,472
Food Services	-	-	3,703	(3,703)
<u>Total Supporting Services</u>	<u>2,094,156</u>	<u>2,094,156</u>	<u>2,080,938</u>	<u>13,218</u>
 <u>Appropriated Reserves</u>	 <u>1,570,143</u>	 <u>1,570,143</u>	 <u>-</u>	 <u>1,570,143</u>
 <u>TOTAL EXPENDITURES</u>	 <u>5,978,918</u>	 <u>5,978,918</u>	 <u>4,288,302</u>	 <u>1,690,616</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>				
	(1,476,718)	(1,476,718)	179,139	
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In (Out)	(120,000)	(120,000)	(120,000)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>(120,000)</u>	<u>-</u>
 <u>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</u>	 <u>(1,596,718)</u>	 <u>(1,596,718)</u>	 <u>59,139</u>	
 <u>FUND BALANCE, Beginning</u>	 <u>1,596,718</u>	 <u>1,596,718</u>	 <u>1,838,017</u>	
 <u>FUND BALANCE, Ending</u>	 <u>-</u>	 <u>-</u>	 <u>1,897,156</u>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
GRANTS – SPECIAL REVENUE FUND
For the Year Ended June 30, 2016**

	<u>Budget Amounts</u>		<u>Variance with</u>
	<u>Original & Final</u>	<u>Actual</u>	<u>Final Budget- Favorable (Unfavorable)</u>
<u>REVENUES:</u>			
Local Sources	1	-	(1)
State Sources	1,500	39,140	37,640
Federal Sources	454,789	467,031	12,242
<u>Total Revenues</u>	<u>456,290</u>	<u>506,171</u>	<u>49,881</u>
<u>EXPENDITURES:</u>			
<u>Instruction</u>	<u>315,511</u>	<u>335,975</u>	<u>(20,464)</u>
<u>Supporting Services:</u>			
Student Support	609	456	153
Instructional Staff	139,012	155,880	(16,868)
School Administration	68	45	23
Business Support Services	90	-	90
Central Support Services	-	13,815	(13,815)
<u>Total Supporting Services</u>	<u>139,779</u>	<u>170,196</u>	<u>(30,417)</u>
<u>Community Services:</u>			
Education for Adults	1,000	-	1,000
<u>Total Community Services</u>	<u>1,000</u>	<u>-</u>	<u>1,000</u>
<u>Total Expenditures</u>	<u>456,290</u>	<u>506,171</u>	<u>(49,881)</u>
<u>REVENUES OVER (UNDER)</u>			
<u>EXPENDITURES</u>	-	-	
<u>FUND BALANCE, Beginning</u>			
	-	-	
<u>FUND BALANCE, Ending</u>			
	-	-	

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
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)	0.0648%	0.0693%	0.0711%	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$9,903,932	\$9,393,782	\$9,064,806	-	-	-	-	-	-	-
District's covered-employee payroll	\$2,825,918	\$2,901,147	\$2,746,805	-	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	3.50%	324%	330%	-	-	-	-	-	-	-
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.

HUERFANO SCHOOL DISTRICT NUMBER RE-1
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	\$ 501,438	\$ 496,814	\$ 448,202	\$ 439,287	-	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (501,438)</u>	<u>\$ (489,859)</u>	<u>\$ (439,669)</u>	<u>\$ (422,197)</u>	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ 6,955</u>	<u>\$ 8,533</u>	<u>\$ 17,090</u>	-	-	-	-	-	-
District's covered-employee payroll	\$2,825,918	\$2,901,147	\$2,746,805	\$2,799,714	-	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	17.74%	16.89%	16.01%	15.08%	-	-	-	-	-	-

OTHER SUPPLEMENTARY INFORMATION

INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

Bond Redemption Debt Service Fund

Bond Redemption Debt Service Fund – used to account for the accumulation of resources for, and the payment of, long-term general obligation debt principal, interest, and related costs.

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds account for revenues that are legally restricted to expenditures for specified purposes.

Student Activity Fund – This fund accounts for the transactions and district expenditures for co-curricular areas of student organizations and clubs.

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

Capital Projects Funds

Capital Reserve – Capital Projects Fund – This fund accounts for the acquisition of sites, buildings, equipment and vehicles.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
BOND REDEMPTION DEBT SERVICE FUND
For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES</u>			
Property Taxes	412,050	402,046	(10,004)
Interest Earnings	50	61	11
<u>Total Revenues</u>	412,100	402,107	(9,993)
<u>EXPENDITURES:</u>			
Debt Service:			
Principal Retirement	330,000	330,000	-
Interest and Fiscal Charges	94,100	88,750	5,350
Appropriated Reserves	663,000	-	663,000
<u>Total Expenditures</u>	1,087,100	418,750	668,350
<u>EXCESS OF REVENUES OVER EXPENDITURES</u>	(675,000)	(16,643)	
<u>FUND BALANCES, Beginning</u>	675,000	690,507	
<u>FUND BALANCES, Ending</u>	-	673,864	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2016**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Student Activity</u>	<u>Food Services</u>	<u>Capital Reserve</u>	
<u>ASSETS</u>				
Cash	71,354	71,857	185,532	328,743
Investments	-	-	123,525	123,525
Accounts Receivable	-	25,664	-	25,664
Due From Other Funds	-	-	-	-
Inventories	-	3,608	-	3,608
Total Assets	71,354	101,129	309,057	481,540
<u>LIABILITIES AND FUND BALANCES</u>				
<u>Liabilities:</u>				
Accounts Payable	6,855	-	-	6,855
Accrued Salaries	-	4,100	-	4,100
Due To Other Funds	-	-	-	-
Total Liabilities	6,855	4,100	-	10,955
<u>Fund Balances:</u>				
<u>Nonspendable:</u>				
Inventories	-	3,608	-	3,608
<u>Restricted:</u>				
Food Services	-	93,421	-	93,421
<u>Committed:</u>				
Capital Outlay	-	-	309,057	309,057
<u>Assigned:</u>				
Pupil Activity	64,499	-	-	64,499
Unassigned	-	-	-	-
Total Fund Balance	64,499	97,029	309,057	470,585
<u>TOTAL LIABILITIES & FUND BALANCES</u>				
	71,354	101,129	309,057	481,540

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Student Activity</u>	<u>Food Services</u>	<u>Capital Reserve</u>	
REVENUES				
Other Local Sources	95,442	19,615	457	115,514
State Sources	-	2,400	-	2,400
Federal Sources	-	275,567	-	275,567
<u>Total Revenues</u>	<u>95,442</u>	<u>297,582</u>	<u>457</u>	<u>393,481</u>
EXPENDITURES				
Current:				
Instruction	164,166	-	-	164,166
Support Services:				
Transportation	-	-	-	-
Capital Outlay	-	-	60,378	60,378
Food Service	-	310,823	-	310,823
Debt Service	-	-	77,066	77,066
<u>Total Expenditures</u>	<u>164,166</u>	<u>310,823</u>	<u>137,444</u>	<u>612,433</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>(68,724)</u>	<u>(13,241)</u>	<u>(136,987)</u>	<u>(218,952)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Fixed Assets	-	-	-	-
Transfer In (Out)	40,000	-	80,000	120,000
<u>Total Other Financing Sources (Uses)</u>	<u>40,000</u>	<u>-</u>	<u>80,000</u>	<u>120,000</u>
NET CHANGE IN FUND BALANCES				
	<u>(28,724)</u>	<u>(13,241)</u>	<u>(56,987)</u>	<u>(98,952)</u>
FUND BALANCES, Beginning				
	<u>93,223</u>	<u>110,270</u>	<u>366,044</u>	<u>569,537</u>
FUND BALANCES, Ending				
	<u>64,499</u>	<u>97,029</u>	<u>309,057</u>	<u>470,585</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)
PUPIL ACTIVITY – SPECIAL REVENUE FUND
For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES:</u>			
Pupil Activity Revenues	66,400	71,006	4,606
Gate Receipts	6,200	16,057	9,857
Fees Revenues	1,000	4,498	3,498
Other Pupil Activity Income	<u>3,500</u>	<u>3,881</u>	<u>381</u>
<u>Total Revenues</u>	<u>77,100</u>	<u>95,442</u>	<u>18,342</u>
<u>EXPENDITURES:</u>			
Instruction:			
Salaries	32,000	37,027	(5,027)
Benefits	7,000	7,409	(409)
PS Professional	-	126	(126)
PS Other	25,000	36,455	(11,455)
Supplies and Materials	56,100	74,120	(18,020)
Property	5,000	3,900	1,100
Other	<u>92,000</u>	<u>5,129</u>	<u>86,871</u>
<u>Total Expenditures</u>	<u>217,000</u>	<u>164,166</u>	<u>52,934</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(140,000)</u>	<u>(68,724)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>40,000</u>	<u>40,000</u>	<u>-</u>
<u>REVENUES OVER (UNDER) OTHER FINANCING</u> <u>SOURCES (USES) AND EXPENDITURES</u>	<u>(100,000)</u>	<u>(28,724)</u>	
<u>FUND BALANCE, Beginning</u>	<u>100,000</u>	<u>93,223</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>64,499</u>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET (GAAP BASIS) AND ACTUAL
FOOD SERVICE – SPECIAL REVENUE FUND
For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<u>REVENUES</u>			
<u>Local Sources</u>			
Food Sales	34,000	19,615	(14,385)
<u>Total Local Sources</u>	<u>34,000</u>	<u>19,615</u>	<u>(14,385)</u>
<u>State Sources</u>			
State Match	-	2,400	2,400
Smart Start	700	-	(700)
PK-2 Reduced Breakfast	700	-	(700)
<u>Total State Sources</u>	<u>1,400</u>	<u>2,400</u>	<u>1,000</u>
<u>Federal Sources</u>			
School Lunches	185,000	254,851	69,851
Commodities	10,600	20,716	10,116
<u>Total Federal Sources</u>	<u>195,600</u>	<u>275,567</u>	<u>79,967</u>
<u>TOTAL REVENUES</u>	<u>231,000</u>	<u>297,582</u>	<u>66,582</u>
<u>EXPENDITURES</u>			
Salaries	99,700	101,722	(2,022)
Employee Benefits	37,600	40,907	(3,307)
Purchased Services	4,500	-	4,500
Food and Milk	127,500	162,987	(35,487)
Other Supplies	7,700	5,207	2,493
Reserve	94,000	-	94,000
<u>TOTAL EXPENDITURES</u>	<u>371,000</u>	<u>310,823</u>	<u>60,177</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(140,000)</u>	<u>(13,241)</u>	
<u>FUND BALANCE, Beginning</u>	<u>140,000</u>	<u>110,270</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>97,029</u>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS) .
CAPITAL RESERVE – CAPITAL PROJECTS FUND
For the Year Ended June 30, 2016**

	<u>Budget Amounts</u> <u>Original & Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<u>REVENUES:</u>			
Earnings on Investments	100	456	356
CDOT Grants	30,000	-	(30,000)
Other Revenues	<u>-</u>	<u>1</u>	<u>1</u>
<u>Total Revenues</u>	<u>30,100</u>	<u>457</u>	<u>(29,643)</u>
<u>EXPENDITURES:</u>			
Facilities and Acquisitions	180,100	60,378	119,722
Equipment & Vehicles	200,000	-	200,000
Debt Service:			
Interest Capital Lease	-	4,070	(4,070)
Principal Capital Lease	77,000	72,996	4,004
Appropriated Reserve	<u>113,000</u>	<u>-</u>	<u>113,000</u>
<u>Total Expenditures</u>	<u>570,100</u>	<u>137,444</u>	<u>432,656</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(540,000)</u>	<u>(136,987)</u>	
<u>OTHER FINANCING SOURCES (USES)</u>			
Transfers In (Out)	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<u>Total Other Financing Sources (Uses)</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<u>REVENUES OVER (UNDER) OTHER</u>			
<u>FINANCING SOURCES (USES)</u>	<u>(460,000)</u>	<u>(56,987)</u>	
<u>FUND BALANCE, Beginning</u>	<u>460,000</u>	<u>366,044</u>	
<u>FUND BALANCE, Ending</u>	<u>-</u>	<u>309,057</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 1390 - HUERFANO RE-1
 Fiscal Year 2015-16
 Colorado School District 806000

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
Governmental				
10 General Fund	1,738,409	4,122,618	4,023,870	1,897,156
18 Risk Mgmt Sub-Fund of General Fund	39,408	72,382	111,871	0
19 Colorado Preschool Program Fund	0	152,560	152,560	0
Sub-Total	1,838,017	4,347,441	4,288,301	1,897,156
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	110,270	297,582	310,823	97,029
22 Govt Designated-Purpose Grants Fund	0	506,171	506,171	0
23 Pupil Activity Special Revenue Fund	93,223	135,442	164,166	64,489
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	690,507	402,107	418,750	673,864
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	366,044	80,458	137,444	309,057
Total	3,098,060	5,169,200	5,025,655	3,041,905
Proprietary				
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
Total	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34/Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Total	0	0	0	0
FINAL				0

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



Colorado Department of Education
Bolded Balance Sheet Report
 District: 1390 - HUERFANO RE-1
 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 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,326,191	0	0	71,857	165,536	650,048	309,057	0	0	0	0	0	3,522,690
Taxes Receivable (8121,8122)	263,200	0	0	0	0	50,700	0	0	0	0	0	0	313,900
Interfund Loans Receivable (8131,8132)	81,637	0	0	0	0	10,716	0	0	0	0	0	0	92,353
Grants Accounts Receivable (8142)	0	0	0	25,664	141,311	0	0	0	0	0	0	0	166,975
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories (8171,8172,8173)	0	0	0	3,608	0	0	0	0	0	0	0	0	3,608
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Assets	2,671,028	0	0	101,129	306,847	711,464	309,057	0	0	0	0	0	4,099,526

LIABILITIES & FUND EQUITY	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	Totals
Interfund Payables (7401,7402)	10,716	0	0	0	81,637	0	0	0	0	0	0	0	92,353
Intergovernmental Payables (7411)	14,128	0	0	0	0	0	0	0	0	0	0	0	14,128
Other Payables (7421-7423)	59,498	0	0	0	12,972	0	0	0	0	0	0	0	72,471
Accrued Expenses (7461)	350,500	0	0	4,100	44,751	0	0	0	0	0	0	0	399,351
Payroll Ded. and Withholdings (7471-7473)	0	0	0	0	0	0	0	0	0	0	0	0	0
Unearned Revenue (7481)	191,200	0	0	0	0	37,600	0	0	0	0	0	0	228,800
Grants Deferred Revenue (7482)	147,830	0	0	0	102,987	0	0	0	0	0	0	0	250,817
Deferred Inflow (7800)	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Liabilities	773,872	0	0	4,100	242,348	37,600	0	0	0	0	0	0	1,057,920

Governmental Proprietary Fiduciary

FUND EQUITY	Governmental						Proprietary				Fiduciary		Totals
	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	
Non-spendable Fund Balance 6710	0	0	0	3,608	0	0	0	0	0	0	0	0	3,608
Restricted Fund Balance 6720	0	0	0	93,421	0	673,864	0	0	0	0	0	0	767,285
TABOR 3% Emergency Reserve 6721	138,300	0	0	0	0	0	0	0	0	0	0	0	138,300
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	0	0	0	0	0	0	0	0	0	0	0
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	0	0	0	0	0	0	309,057	0	0	0	0	0	309,057
Assigned Fund Balance 6760	0	0	0	0	64,499	0	0	0	0	0	0	0	64,499
Unassigned Fund Balance 6770	1,758,856	0	0	0	0	0	0	0	0	0	0	0	1,758,856
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
Total Fund Equity	1,897,156	0	0	97,029	64,499	673,864	309,057	0	0	0	0	0	3,041,605

Total Liabilities & Fund Equity	Governmental						Proprietary				Fiduciary		Totals
	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	
2,671,028	0	0	0	101,129	306,847	711,464	309,057	0	0	0	0	0	4,099,536

For Each Fund Type:
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 63-64	Trust & Agency Funds 60	Foundations Fund 70-79	Totals
Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes