

Brush School District No. RE-2(J)
Brush, Colorado

Financial Statements

For the Year ended June 30, 2016



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Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12-13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	17
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	21
Notes to Financial Statements	22-48
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	50
Schedule of the District's Proportionate Share of the Net Pension Liability	51
Schedule of District Contributions	52
Notes to the Required Supplementary Information	53
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule - Revenues	58
Budgetary Comparison Schedule - Expenditures	60-62
Nonmajor Governmental Funds	
Combining Balance Sheet	64
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	65
Budgetary Comparison Schedule – Food Service Fund	66
Budgetary Comparison Schedule – Designated Purpose Grants Fund	67
Budgetary Comparison Schedule – Full-Day Kindergarten Mill Levy Override Fund	68

Table of Contents

	<u>Page</u>
Debt Service Fund	
Budgetary Comparison Schedule – Bond Redemption Fund	70
Fiduciary Fund	
Budgetary Comparison Schedule - Pupil Activity Agency Fund	72
Budgetary Comparison Schedule – Scholarship Trust Fund	73
Colorado Department of Education Supplementary Schedule	
Independent Auditors’ Report on Auditors’ Integrity Report	77
Auditors’ Integrity Report	78



Independent Auditors' Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brush School District No. RE-2(J) (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 8, 2016

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis

As of and for the fiscal year ended June 30, 2016

As management of the Brush School District No. RE-2(J), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. The following discussion should be read in conjunction with the District's basic financial statements, the notes to the financial statements, and the required supplementary information. All information presented is based on the District's fiscal calendar (July to June). Unless otherwise stated, references in this report to particular years refer to the District's fiscal years ended in June.

Financial Highlights

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$6,496,770 (*net position*).
- The District's total net position increased by \$1,497,066 and unrestricted net position decreased by \$164,224.
- At the end of the current fiscal year, the District's governmental funds reported combined balance of \$6,037,315, an decrease of \$122,720 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,694,238 or approximately 32.16% of total General Fund expenditures.
- The District's total outstanding long-term debt decreased by \$2,442,780 during the current fiscal year because the District refinanced and made regular debt service payments, however it increased by \$1,153,017 due to the net pension liability (GASB 68) making the overall decrease of long-term debt \$1,289,763.

Overview of the Financial Statements

This discussion and analysis serves as an introduction to the District's basic financial statements. The basic financial statements consist of three types of statements: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements.

Government-wide Financial Statements

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

The two government-wide financial statements distinguish functions of the District that are principally supported by taxes and state equalization funding (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the District include instruction, cocurricular pupil activities, instructional support, general and school administration, business and central services, technology, maintenance, transportation and food service center.

The government-wide financial statements can be found on pages 12-15 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the District's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in assessing the District's near-term financing requirements.

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

The District maintains six individual governmental funds. 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 the General Fund and the Bond Redemption, which are considered to be major funds. Data from the other four governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic governmental fund financial statements can be found on pages 16-19 of this report.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds *are not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the District's own programs. The Scholarship Private-Purpose Trust Fund and Pupil Activity Agency Fund are reported as Fiduciary Funds. The fiduciary fund financial statements can be found on pages 20-21 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-48 of this report.

Required Supplementary Information and Other Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule is provided for the General Fund as required supplementary information and for all other funds as other supplementary information to demonstrate compliance with this budget. Required supplementary information can be found on page 50-53 of this report. Other supplementary information can be found on pages 58-73.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

Government-wide Overall Financial Analysis

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$6,496,770, at June 30, 2016.

The largest portion of the District's net position reflects its \$8,903,312 investment in capital assets (e.g., land, buildings and improvements, vehicles, and equipment) net of accumulated depreciation and related outstanding debt. The District uses these capital assets to provide instructional and supporting services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These resources are related to debt service (\$1,712,357), and for the TABOR emergency (\$370,000). The second largest component of net position represents the unrestricted balance of \$(17,600,453). This amount is unrestricted and may be used to meet the District's ongoing obligations to its students and creditors.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

For the fiscal year 2016, the District's net position increased by \$1,497,066. The reasons for this overall change are discussed in the following sections.

Brush School District No. RE-2(J) Net Position

	Total	
	2016	2015
Current and other assets	\$ 7,333,335	7,711,504
Capital assets	14,348,113	14,363,142
Total assets	21,681,448	22,074,646
Deferred outflows of resources	131,801	293,975
Deferred outflows for contributions	2,870,922	1,074,535
Total deferred outflows	3,002,723	1,368,510
Long-term liabilities outstanding	5,595,660	8,038,440
Other liabilities	1,263,993	1,381,031
Net Pension Liability(page 39 Notes)	22,679,462	21,526,445
Deferred Inflows	1,641,826	491,076
Total liabilities and Deferred Inflows	31,180,941	31,436,992
Net investment in capital assets	8,903,312	6,340,760
Restricted	2,200,371	3,013,760
Unrestricted	(17,600,453)	(17,348,356)
Total net position	(6,496,770)	(7,993,836)

As can be seen from the chart above, net position increased by \$1,497,066 to \$(6,496,770) in FY 2016.

Governmental Activities

During the current fiscal year, net position for governmental activities increased by \$1,497,066 from the prior fiscal year for an ending balance of \$(6,496,770). Revenues increased (\$178,101) with a significant increase in operating grants and contributions, including Title revenues and other federal grants. Revenue also increased for charges for services related to the Head Start memorandum of understanding. Expenditures decreased by \$197,205. Food Service, was combined with Nonmajor funds in FY 2015. The Food Service's revenues did not exceed expenses as in prior years. It shows a decrease in fund balance of \$43,492. Over 67% of revenues are federal and state reimbursement grants because of the District's high free and reduced student population.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Brush School District No. RE-2(J)

Changes in Net Position

	Total	
	2016	2015
Revenues:		
Program revenues:		
Charges for services	\$ 310,226	375,045
Operating grants & contributions	1,135,111	1,342,992
Capital Grants and Contributions	336,820	
General revenues:		
Property taxes	8,588,079	7,510,899
Specific ownership taxes	834,537	886,478
State share	3,711,874	4,382,648
Investment earnings	11,281	2,483
Other	117,874	30,336
Total revenues	14,708,982	14,530,881
Expenses:		
Instruction	7,090,165	7,461,713
Supporting services	6,224,223	6,018,688
Interest	234,348	265,540
Total expenses	13,548,736	13,745,941
Increase in net position	1,497,066	784,940
Net position – beginning (July 1)	(7,993,836)	(8,778,776)
Net position – ending (June 30)	\$ (6,496,770)	(7,993,836)

Financial Analysis of Governmental Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the District itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the District's Board of Education.

At June 30, 2016, the District's governmental funds reported combined fund balances of \$6,037,315, an decrease of \$122,720 in comparison with the prior year. Approximately 49.9% of this amount (\$3,694,238) constitutes *unassigned fund balance*, which is available for spending

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

at the District's discretion. The District also identified certain balances as assigned fund balance indicated the District's intended use of these resources. The District assigned fund balance to excess special education costs. The total assigned fund is \$100,000. The remainder of the fund balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$42,706), 2) legally required to be maintained intact (\$370,000), 3) restricted for debt service purposes (\$1,712,357), 4) restricted for the food service fund purposes (\$46,144) 5) restricted for Colorado preschool (\$15,214) or 6) restricted for the multi-year obligations (\$56,656) .

The General Fund is the chief operating fund of the district, providing the majority of the resources for the educational and support programs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,694,238, an increase of \$1,199,577 As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total General Fund expenditures net of transfers. Total fund balance represents approximately 37.1% of total General Fund expenditures net of transfers.

Revenue. Total Program revenue is a statutory concept that includes property taxes, specific ownership taxes, and state share. General Fund property tax revenues were based upon a levy of 29.188 mills applied against an assessed valuation of \$237,121,341. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. State share backfills the required statutory total program. Revenue from these three sources represents approximately 99% of the District's total revenue. Overall, General Fund revenue increased \$575,225 over prior year due to a significant increase in local property and vehicle registration taxes. This year, the District entered into a memorandum of understanding with Brush UMC Head Start which provided additional revenues. Additional revenues were received for medical insurance carrier transition payments and a dividend on worker's compensation insurance.

Expenditures. General Fund expenditures increased from prior year with spending increasing due to salaries and supplies. Additionally, the District targeted increased spending for professional development, intervention, and advanced academic opportunities.

The Bond Redemption Fund is used to account for the requirements of the Series 2003 and Series 2004 general obligation bonds and the Series 2006, Series 2012, and Series 2015 general obligation refunding bonds. The revenue source for the Bond Redemption Fund is a voter approved mill levy. For fiscal 2016, the mill levy was 7.340 mills which was expected to generate approximately \$1.5 million. The Bond Redemption Fund expenditures reflect principal and interest costs on the District's debt. The District used the excess fund balance that had been building in the Bond Redemption Fund to refinance bonds in fiscal year 2016. The Series 2003 and Series 2004 general obligation bonds were fully repaid in fiscal year 2014.

General Fund Budgetary Highlights

Total budgeted appropriations adopted by the Board of Education for fiscal year 2016 were \$16,549,666 including General Fund appropriations of \$12,030,622. Total revenues were higher than anticipated due to stronger property tax and specific ownership tax collections. Expenditures were not as high as originally budgeted due to delays in maintenance. Overall, the District's change in fund balance was \$1,157,572 greater than expected.

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

Capital Assets

The District's gross investment in capital assets for its governmental activities as of June 30, 2016, amounts to \$14,348,113 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. Additional information on the District's capital assets can be found in Note E on page 34 of this report.

District voters approved a general obligation bond of \$14.5 million in November 2003. The net proceeds of the Bonds were used for the purpose of financing the costs to construct a new elementary school and to improve, repair, and enlarge Brush Middle School and Brush High School and paying costs of issuance of the Bonds. Voters also approved a tax increase of \$400,000 annually to provide additional funds for operating expenses for new, improved, and enlarged school facilities in the middle and high schools. The District spent all remaining proceeds of the Bonds during the first three months of fiscal year 2014.

The District bought a Bus at a cost of \$53,000 and recorded HVAC maintenance of \$169,402 which was our share after the Best Grant. In addition, the District updated the sprinkler system at BHS as well as Playground at Thomson, for \$38,622, and upgraded one lawn mower totaling \$21,549.

Long-term Debt

At the end of the fiscal year, the District had total long-term debt outstanding of \$28,275,122. Accrued interest payable at June 30, 2016, totaled \$24,335.

The District's total debt decreased by \$1,289,763, during the fiscal year as a result of the refinancing on the existing outstanding debt.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed valuation. The current debt limitation for the District is \$47,434,503, which is significantly in excess of the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Notes G on pages 35-37 of this report.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the School Business Officer, Brush School District No. RE-2(J), P.O. Box 585, Brush, CO 80723. Information is also available via the District's website: Brush School District No. RE-2(J), Financial Transparency, <http://www.brushschools.org/financial-transparency>.

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Basic Financial Statements

The basic financial statements of the District include the following:

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 307,345
Cash with fiscal agent	81,225
Investments	6,468,611
Receivables	433,448
Prepaid expenses	34,219
Inventory	8,487
Capital assets, net of depreciation	<u>14,348,113</u>
Total assets	21,681,448
Deferred outflows of resources	
Deferred charges on refundings of bonds	131,801
Pension deferrals	<u>2,870,922</u>
Total deferred outflows of resources	<u>3,002,723</u>
Total assets and deferred outflows of resources	<u><u>\$ 24,684,171</u></u>

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

	Governmental Activities
Liabilities	
Accounts payable	\$ 45,480
Accrued salaries and benefits	1,119,610
Payroll deductions and withholdings	5,192
Accrued expenditures	69,376
Accrued interest payable	24,335
Noncurrent liabilities	
Due within one year	1,221,601
Due in more than one year	27,053,521
Total liabilities	<u>29,539,115</u>
Deferred inflows of resources	
Pension deferrals	<u>1,641,826</u>
Total deferred inflows of resources	1,641,826
Net position	
Net investment in capital assets	8,903,312
Restricted for:	
Emergencies	370,000
Multi-year obligations	56,656
Colorado preschool program	15,214
Food service	46,144
Debt service	1,712,357
Unrestricted (deficit)	<u>(17,600,453)</u>
Total net position (deficit)	<u>(6,496,770)</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 24,684,171</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 7,090,165	\$ 17,830	\$ 484,085	
Supporting services				
Students	378,394			
Instructional staff	185,033			
General administration	515,537			
School administration	938,771			
Business services	79,584			
Operations and maintenance	1,546,052			\$ 336,820
Student transportation	521,117	1,854	107,472	
Central support	582,467			
Community services		33,308		
Food services	850,635	257,234	543,554	
Unallocated depreciation*	626,633			
Interest and fiscal charges	234,348			
Total governmental activities	<u>\$ 13,548,736</u>	<u>\$ 310,226</u>	<u>\$ 1,135,111</u>	<u>\$ 336,820</u>

General revenues

Taxes

Property taxes, levied for general purposes
Property taxes, levied for full-day kindergarten
Property taxes, levied for debt services
Specific ownership taxes
Delinquent taxes and interest
State categorical aid
Earnings on investments
Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

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

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

Net
Governmental
Activities

\$ (6,588,250)

(378,394)

(185,033)

(515,537)

(938,771)

(79,584)

(1,209,232)

(411,791)

(582,467)

33,308

(49,847)

(626,633)

(234,348)

(11,766,579)

6,826,184

245,526

1,516,369

827,664

6,873

3,711,874

11,281

117,874

13,263,645

1,497,066

(7,993,836)

\$ (6,496,770)

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total
Assets				
Cash	\$ 238,249		\$ 69,096	\$ 307,345
Cash with fiscal agent	75,196	\$ 5,176	853	81,225
Investments	4,803,291	1,665,320		6,468,611
Due from other funds			66,134	66,134
Property taxes receivable	232,899	51,825	8,410	293,134
Grants receivable			37,002	37,002
Other receivables	80,029		23,283	103,312
Prepaid items	34,219			34,219
Inventory			8,487	8,487
Total assets	\$ 5,463,883	\$ 1,722,321	\$ 213,265	\$ 7,399,469
Liabilities				
Accounts payable	\$ 16,653		\$ 28,827	\$ 45,480
Accrued salaries and benefits	994,238		125,372	1,119,610
Payroll withholdings	5,192			5,192
Accrued expenditures	69,376			69,376
Due to other funds	63,316		2,818	66,134
Total liabilities	1,148,775	\$ -	157,017	1,305,792
Deferred inflows of resources				
Deferred property tax revenues	44,781	9,964	1,617	56,362
Fund balance				
Nonspendable prepaid items	34,219			34,219
Nonspendable inventory			8,487	8,487
Restricted to emergencies	370,000			370,000
Restricted to multi-year obligations	56,656			56,656
Restricted to Colorado Preschool	15,214			15,214
Restricted to food service			46,144	46,144
Restricted to debt service		1,712,357		1,712,357
Assigned to special education	100,000			100,000
Unassigned	3,694,238			3,694,238
Total fund balance	4,270,327	1,712,357	54,631	6,037,315
Total liabilities, deferred inflows of resources and fund balance	\$ 5,463,883	\$ 1,722,321	\$ 213,265	\$ 7,399,469

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

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

Total fund balance - governmental funds	\$ 6,037,315
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	14,348,113
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.	56,362
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(24,335)
Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(26,914,225)</u>
Net position (deficit) of the governmental activities	<u>\$ (6,496,770)</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total
Revenues				
Local sources	\$ 7,933,631	\$ 1,548,455	\$ 508,171	\$ 9,990,257
Intermediate sources	4,265			4,265
State sources	4,357,138		18,521	4,375,659
Federal sources	984		807,161	808,145
Total revenues	12,296,018	1,548,455	1,333,853	15,178,326
Expenditures				
Instruction	6,139,085		586,152	6,725,237
Supporting services	5,218,826		844,916	6,063,742
Debt service				
Principal retirement	111,221	860,000		971,221
Interest and fiscal charges	14,475	179,304		193,779
Bond issuance costs		28,859		28,859
Total expenditures	11,483,607	1,068,163	1,431,068	13,982,838
Excess of revenues over (under) expenditures	812,411	480,292	(97,215)	1,195,488
Other financing sources (uses)				
Capital lease proceeds	87,487			87,487
Proceeds of refunding bonds		1,685,000		1,685,000
Premium on bonds		99,305		99,305
Payment to escrow agent		(3,190,000)		(3,190,000)
Transfers in			53,723	53,723
Transfers out	(53,723)			(53,723)
Total other financing sources (uses)	33,764	(1,405,695)	53,723	(1,318,208)
Net change in fund balance	846,175	(925,403)	(43,492)	(122,720)
Fund balance at beginning of year	3,424,152	2,637,760	98,123	6,160,035
Fund balance at end of year	<u>\$ 4,270,327</u>	<u>\$ 1,712,357</u>	<u>\$ 54,631</u>	<u>\$ 6,037,315</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - governmental funds	\$ (122,720)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(15,029)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(132,524)
In the statement of activities, certain expenses related to the pension liabilities and related deferred inflows and outflows, compensated absences and accrued interest payable, are measured by amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(522,089)
The capital lease and refunding bond proceeds, along with the premium on bonds, are reported as revenue in the governmental funds, however, they are reported as long-term liabilities in the statement of activities.	(1,871,793)
Repayment of principal on bonds obligations is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the statement of net position.	<u>4,161,221</u>
Change in net position of governmental activities	<u>\$ 1,497,066</u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash	\$ 17,062	\$ 172,154
Certificates of deposit	263,879	42,270
Total assets	<u>\$ 280,941</u>	<u>\$ 214,424</u>
Liabilities		
Due to student groups		<u>\$ 214,424</u>
Total liabilities	\$ -	<u>\$ 214,424</u>
Net position		
Held in trust for scholarships	<u>280,941</u>	
Total liabilities and net position	<u>\$ 280,941</u>	

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2016

	Private Purpose Trust Fund
Additions	
Earnings on investments	\$ 77
Contributions	<u>149,100</u>
Total additions	149,177
Deductions	
Scholarship awards	<u>150,520</u>
Total deductions	<u>150,520</u>
Net decrease in net position	(1,343)
Net position at beginning of year	<u>282,284</u>
Net position at end of year	<u><u>\$ 280,941</u></u>

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Brush School District No. RE-2(J)'s significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

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

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

A.2 – Fund accounting

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District's full-day kindergarten program.

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

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

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Note A.3 – Basis of presentation

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

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

A.4 – Basis of accounting

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A - Summary of significant accounting policies (Continued)

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

A.5 - Encumbrances

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

A.6 - Short-term interfund receivables/payables

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.7 – Inventories

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

A.8 – Capital assets

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

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

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

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	10-40 years
Licensed vehicles	5-20 years
Equipment	5-20 years

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Each full-time classified staff member employed on a 12-month basis shall be granted a two-week vacation after one year of regular employment and three weeks' vacation after 10 years of service to the school district. Part-time personnel employed 12 months per year shall receive the same number of vacation days as provided to full-time 12-month employees in accordance with the regular daily hours worked subject to regulations adopted by the Board. Accumulated leave is paid upon termination of employment.

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

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

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

A.10 – Accrued liabilities and long-term obligations

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.11 – Fund balance

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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 listed below.

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

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

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

A.12 – Net position

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

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

A.13 – Interfund transactions

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

A.14 – Extraordinary and special items

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments

Cash and deposits

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$881,370, of which \$478,399 was insured and \$402,971 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

Investments

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

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

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

Investment type	Fair value	Investment maturities (in years)		
		Less than 1	1-5	6-10
Investment in Colotrust	\$ 6,468,611	\$ 6,468,611	\$ -	\$ -

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note B – Cash and investments (Continued)

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

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

Cash in bank	\$ 496,561
Cash with fiscal agent	81,225
Certificates of deposit	306,149
Colotrust	<u>6,468,611</u>
Total	<u>\$ 7,352,546</u>
 <u>Statement of net position</u>	
Cash	\$ 307,345
Cash with fiscal agent	81,225
Investments	<u>6,468,611</u>
Subtotal	6,857,181
 <u>Statement of fiduciary net position</u>	
Cash	189,216
Certificates of deposit	<u>306,149</u>
Subtotal	<u>495,365</u>
Total	<u>\$ 7,352,546</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 293,134
Grants receivable	37,002
Other receivables	<u>103,312</u>
Total	<u>\$ 433,448</u>

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

Note D – Interfund transactions

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 63,316
Other governmental fund	<u>66,134</u>	<u>2,818</u>
Total	<u>\$ 66,134</u>	<u>\$ 66,134</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 53,723
Other governmental funds	<u>53,723</u>	<u>-</u>
Total	<u>\$ 53,723</u>	<u>\$ 53,723</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note D - Interfund transactions (Continued)

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$53,723 from the General Fund to the Full-Day Kindergarten Fund to subsidize the costs of maintaining the District's full-day kindergarten program.

Note E - Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 597,193	\$ -	\$ -	\$ 597,193
Construction in progress	<u>82,203</u>	<u>-</u>	<u>(82,203)</u>	<u>-</u>
Total capital assets, not being depreciated	679,396	-	(82,203)	597,193
Capital assets, being depreciated:				
Buildings and improvements	28,949,570	507,401	82,203	29,539,174
Licensed vehicles	1,319,209	53,000	-	1,372,209
Equipment	<u>1,313,354</u>	<u>251,220</u>	<u>-</u>	<u>1,564,574</u>
Total capital assets, being depreciated	<u>31,582,133</u>	<u>811,621</u>	<u>(82,203)</u>	<u>32,475,957</u>
Total capital assets	32,261,529	811,621	-	33,073,150
Less accumulated depreciation:				
Buildings and improvements	(16,444,966)	(602,343)	-	(17,047,309)
Licensed vehicles	(826,699)	(62,704)	-	(889,403)
Equipment	<u>(626,722)</u>	<u>(161,603)</u>	<u>-</u>	<u>(788,325)</u>
Total accumulated depreciation	<u>(17,898,387)</u>	<u>(826,650)</u>	<u>-</u>	<u>(18,725,037)</u>
Governmental activities capital assets, net	<u>\$ 14,363,142</u>	<u>\$ (15,029)</u>	<u>\$ -</u>	<u>\$ 14,348,113</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note E - Capital assets (Continued)

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

Governmental activities	
Instruction	\$ 18,023
Operations and maintenance	126,569
Student transportation	55,425
Unallocated	<u>626,633</u>
 Total	 <u>\$ 826,650</u>

Note F - Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$1,119,610. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G - Long-term debt

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental activities					
Compensated absences	\$ 16,058	\$ 3,000	\$ -	\$ 19,058	\$ -
Bonds payable	7,590,000	1,685,000	(4,050,000)	5,225,000	1,110,000
Bond discount	(16,425)	-	16,425	-	-
Bond premium	161,191	99,306	(172,777)	87,720	-
Capital lease obligations	287,616	87,487	(111,221)	263,882	111,601
Net pension liability	<u>21,526,445</u>	<u>1,153,017</u>	<u>-</u>	<u>22,679,462</u>	<u>-</u>
 Total	 <u>\$ 29,564,885</u>	 <u>\$ 3,027,810</u>	 <u>\$ (4,317,573)</u>	 <u>\$ 28,275,122</u>	 <u>\$ 1,221,601</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the capital lease obligations and net pension liability. Payments on the bonds payable are made in the Bond Redemption Fund.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G - Long-term debt (Continued)

Bonds Payable

\$5,330,000 general obligation refunding bonds, dated June 2012, due in annual installments beginning in fiscal year 2013 ranging from \$50,000 to \$880,000; variable annual interest rates ranging from 2.00% to 3.00%; payable semi-annually on June 1st and December 1st. \$ 3,540,000

\$1,685,000 general obligation refunding bonds, dated December 1, 2015, due in annual installments beginning in fiscal year 2017 ranging from \$265,000 to \$870,000; variable annual interest rates ranging from 2.00% to 4.00%; payable semi-annually on June 1st and December 1st. 1,685,000

Total general obligation bonds \$ 5,225,000

The following schedule represents the District's debt service requirements to maturity for all outstanding bonded indebtedness:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,110,000	\$ 71,900	\$ 1,181,900
2018	1,130,000	54,850	1,184,850
2019	1,160,000	37,450	1,197,450
2020	1,185,000	23,925	1,208,925
2021	<u>640,000</u>	<u>9,600</u>	<u>649,600</u>
Totals	<u>\$ 5,225,000</u>	<u>\$ 197,725</u>	<u>\$ 5,422,725</u>

Advance Refunding

On December 1, 2015, the District issued \$1,685,000 in general obligation refunding bonds with variable interest rates ranging from 2.00% to 4.00% to advance refund \$3,190,000 of outstanding Series 2006 bonds with variable interest rates ranging from 3.75% to 4.00%. The net proceeds of \$1,690,000 (after payment of \$28,859 in underwriting fees, insurance and other issuance costs), along with \$1,500,000 of the District's funds, were deposited into an escrow account created pursuant to an agreement between the District and its escrow agent. The moneys in the account were used to purchase United States government securities which will provide for all debt service payments on the advance refunded bonds. As a result, \$3,190,000 of the Series 2006 bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note G – Long-term debt (Continued)

The District advance refunded the Series 2006 bonds to reduce its total debt service payments over the next 9 years by \$2,096,541 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$431,518.

Capital Lease Obligations

Modular buildings – The District has entered into an annually renewable lease and purchase option agreement for the construction of modular buildings. The District has capitalized \$220,000 of assets under this capital lease. This lease, dated May 6, 2008, requires annual payments of \$24,500 with a fixed interest rate of 5.00%, with final payment due August 31, 2019.

Energy saving equipment – The District has entered into an annually renewable lease and purchase option agreement for the acquisition and installation of energy saving equipment. The District has capitalized \$552,094 of assets under this capital lease. This lease, dated October 1, 2007, requires annual payments of \$69,841 with a fixed interest rate of 4.75%, with a final payment due July 1, 2017.

Networking equipment – The District has entered into a lease and purchase option agreement for the acquisition of networking equipment. The District has capitalized \$87,477 of assets under this capital lease. This lease, dated July 2, 2015, requires annual payments of \$31,355 with a fixed interest rate of 7.04%, with a final payment due August 15, 2017. This lease is not an annually renewable lease, therefore the District has restricted fund balance in the amount of \$56,656.

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

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2017	\$ 125,696
2018	125,696
2019	24,500
2020	<u>24,500</u>
Total minimum lease payments	300,392
Less amount representing interest	<u>(36,510)</u>
Present value of future net minimum lease payments	<u>\$ 263,882</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan

Summary of significant accounting policies

Pensions. The District participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General information about the pension plan

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

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

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

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

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	For the Year Ended December 31, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u>17.33%</u>	<u>18.13%</u>

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,248,777 for the year ended.

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

At year-end, the District reported a liability of \$22,679,462 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was 0.1483 percent, which was a decrease of 0.0105 percent from its proportion measured as of December 31, 2014.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$1,756,157. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 299,485	\$ 945
Changes of assumptions or other inputs	-	320,500
Net difference between projected and actual earnings on pension plan investments	1,928,390	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,320,381
Contributions subsequent to the measurement date	<u>643,047</u>	<u>-</u>
Total	<u>\$ 2,870,922</u>	<u>\$ 1,641,826</u>

\$643,047 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, ___</u>	<u>Amount</u>
2017	\$ (62,226)
2018	(7,673)
2019	260,510
2020	<u>395,438</u>
Totals	<u>\$ 586,049</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the annual increase reserve

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

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

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

The following methodology changes were made:

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 15, 2013 adoption of the long-term expected real rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H - Defined benefit pension plan (Continued)

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

- Total covered payroll for the initial projects year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note H - Defined benefit pension plan (Continued)

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

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ <u>29,399,201</u>	\$ <u>22,679,462</u>	\$ <u>17,089,878</u>

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.

Payables to the pension plan

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note I – Defined contribution pension plan

Voluntary Investment Program

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

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$76,904 for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

Plan description. The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$67,921, \$67,864 and \$68,148, respectively, equal to their required contributions for each year.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$137,731. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

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

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$370,000 for the emergency reserve.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

Budget law

Expenditures in the Food Service, Designated Purpose Grants, Full-Day Kindergarten Mill Levy Override and Scholarship Trust Funds exceeded appropriations by \$32,064, \$6,330, \$19,012 and \$10,520, respectively, and may be in violation of Colorado Local Government Budget Laws.

Environmental Remediation Loss Contingency

Two of the District's school buildings contain asbestos, and the District is a potentially responsible party regarding environmental impacts. Although a loss is probable at some point in the future, due to the uncertainty surrounding the timing and method of settlement, it is not possible to reasonably estimate the amount of any obligation for remediation that may be incurred at a future date.

Note M – Joint venture

The District participates in the Centennial Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

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

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Centennial Board of Cooperative Educational Services are available by contacting their administrative office in Greeley, Colorado.

For the year, the District's contribution was \$67,305.

Required Supplementary Information

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

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 7,231,728	\$ 7,231,728	\$ 7,933,631	\$ 701,903
Intermediate sources	4,200	4,200	4,265	65
State sources	4,518,922	4,518,922	4,357,138	(161,784)
Federal sources			984	984
Total revenues	11,754,850	11,754,850	12,296,018	541,168
Expenditures				
Instruction	5,981,875	6,237,272	6,139,085	98,187
Supporting services	5,418,673	5,699,009	5,218,826	480,183
Debt service				
Principal retirement	80,362	80,310	111,221	(30,911)
Interest and fiscal charges	13,979	14,031	14,475	(444)
Total expenditures	11,494,889	12,030,622	11,483,607	547,015
Excess of revenues over (under) expenditures	259,961	(275,772)	812,411	1,088,183
Other financing sources (uses)				
Capital lease proceeds			87,487	87,487
Transfers out	(35,625)	(35,625)	(53,723)	(18,098)
Total other financing sources (uses)	(35,625)	(35,625)	33,764	69,389
Net change in fund balance	\$ 224,336	\$ (311,397)	846,175	\$ 1,157,572
Fund balance at beginning of year			3,424,152	
Fund balance at end of year			\$ 4,270,327	

BRUSH SCHOOL DISTRICT NO. RE-2(J)

Schedule of the District's Proportionate Share of the Net Pension Liability ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.1482870283%	0.1588273799%
District's proportionate share of the net pension liability	\$ 22,679,462	\$ 21,526,445
District's covered-employee payroll	\$ 6,658,930	\$ 6,536,564
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	340.59%	329.32%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.8%

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Schedule of District Contributions ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,248,777	\$ 1,147,894
Contributions in relation to the contractually required contribution	<u>(1,248,777)</u>	<u>(1,147,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,658,930	\$ 6,536,564
Contributions as a percentage of covered-employee payroll	18.75%	17.56%

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

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Notes to the Required Supplementary Information

Note A – Budgetary data

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

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

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

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

The other supplementary information presents a summary of the financial position of all funds of a given segment and the operating results of the same funds. The individual fund statements and schedules present information when only one fund exists.

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Budgetary Comparison Schedules - General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 6,202,921	\$ 6,202,921	\$ 6,926,905	\$ 723,984
Specific ownership taxes	848,720	848,720	827,426	(21,294)
Delinquent taxes and interest	4,500	4,500	5,434	934
Tuition	8,600	8,600	17,830	9,230
Other transportation			1,855	1,855
Earnings on investments	2,000	2,000	7,264	5,264
Other revenues	164,987	164,987	146,917	(18,070)
Total local sources	7,231,728	7,231,728	7,933,631	701,903
Intermediate sources				
Mineral lease	2,900	2,900	2,939	39
County impact assistance	1,300	1,300	1,326	26
Total intermediate sources	4,200	4,200	4,265	65
State sources				
State equalization	4,328,599	4,328,599	3,711,874	(616,725)
Vocational education	17,500	17,500	32,312	14,812
ELPA professional development			46,473	46,473
English language proficiency	27,245	27,245	31,246	4,001
Transportation	105,000	105,000	107,472	2,472
BEST grant			336,820	336,820
READ act	17,803	17,803	57,070	39,267
State grants for libraries	3,000	3,000	4,000	1,000
At-risk funding			10,096	10,096
Services within the BOCES	19,775	19,775	19,775	-
Total state sources	4,518,922	4,518,922	4,357,138	(161,784)
Federal sources				
Early childhood readiness			984	984
Total revenues	\$ 11,754,850	\$ 11,754,850	\$ 12,296,018	\$ 541,168

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BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 4,388,671	\$ 4,089,053	\$ 4,055,693	\$ 33,360
Employee benefits	1,387,087	1,416,799	1,404,439	12,360
Purchased services	9,155	460,377	435,288	25,089
Supplies and materials	189,609	213,200	195,793	17,407
Property	6,475	57,343	47,503	9,840
Other	878	500	369	131
Total instruction	5,981,875	6,237,272	6,139,085	98,187
Supporting services				
Students				
Salaries	265,493	264,798	264,199	599
Employee benefits	114,355	95,566	90,713	4,853
Purchased services		3,382		3,382
Supplies and materials	3,975		3,149	(3,149)
Total students	383,823	363,746	358,061	5,685
Instructional staff				
Salaries	83,100	81,145	81,195	(50)
Employee benefits	48,033	48,010	39,892	8,118
Purchased services	30,000	30,000	24,625	5,375
Supplies and materials	49,833	50,606	33,072	17,534
Total instructional staff	210,966	209,761	178,784	30,977
General administration				
Salaries	197,418	194,617	194,339	278
Employee benefits	58,550	52,515	50,376	2,139
Purchased services	670,024	218,381	168,890	49,491
Supplies and materials	141,849	123,404	87,899	35,505
Other	33,814	133,983	26,251	107,732
Total general administration	1,101,655	722,900	527,755	195,145

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	694,802	676,680	651,779	24,901
Employee benefits	243,217	235,637	210,731	24,906
Purchased services	5,560	3,510	3,267	243
Supplies and materials	23,512	17,402	14,118	3,284
Property	3,500	6,061	8,715	(2,654)
Other	4,518			-
Total school administration	975,109	939,290	888,610	50,680
Business services				
Salaries	56,018	32,510	32,510	-
Employee benefits	30,319	6,949	8,534	(1,585)
Purchased services	16,827	16,827	17,524	(697)
Supplies and materials	9,870	9,870	7,300	2,570
Other			10,601	(10,601)
Total business services	113,034	66,156	76,469	(10,313)
Operations and maintenance				
Salaries	455,277	447,907	455,824	(7,917)
Employee benefits	200,346	162,562	162,343	219
Purchased services	287,314	374,497	302,384	72,113
Supplies and materials	556,832	583,767	513,624	70,143
Property		560,108	567,765	(7,657)
Total operations and maintenance	1,499,769	2,128,841	2,001,940	126,901
Student transportation				
Salaries	160,333	226,743	232,417	(5,674)
Employee benefits	95,697	70,033	82,209	(12,176)
Purchased services	29,012	36,095	33,906	2,189
Supplies and materials	185,250	183,542	98,273	85,269
Property	1,000	54,000	54,000	-
Total student transportation	471,292	570,413	500,805	69,608

(Continued)

BRUSH SCHOOL DISTRICT NO. RE-2(J)
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

(Continued)

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support				
Salaries	129,618	129,618	129,618	-
Employee benefits	45,285	45,279	42,965	2,314
Purchased services	352,122	387,952	291,552	96,400
Supplies and materials	35,000	35,000	34,815	185
Property	101,000	100,053	187,452	(87,399)
Total central support	663,025	697,902	686,402	11,500
Total supporting services	5,418,673	5,699,009	5,218,826	480,183
Debt service				
Principal retirement	80,362	80,310	111,221	(30,911)
Interest and fiscal charges	13,979	14,031	14,475	(444)
Total debt service	94,341	94,341	125,696	(31,355)
Total expenditures	\$ 11,494,889	\$ 12,030,622	\$ 11,483,607	\$ 547,015

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

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

Food Service Fund – This fund is a special revenue fund used to account for the financial transactions related to food service operations.

Designated Purpose Grants Fund – This fund is a special revenue fund used to record financial transactions for grants received for designated programs funded by federal, state or local sources.

Full-Day Kindergarten Mill Levy Override Fund – This fund is a special revenue fund used to record financial transactions related to the District’s full-day kindergarten program.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue Funds			Totals
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	
Assets				
Cash	\$ 69,096			\$ 69,096
Cash with fiscal agent			\$ 853	853
Due from other funds		\$ 25,628	40,506	66,134
Property taxes receivable			8,410	8,410
Grants receivables	3,733	33,269		37,002
Other receivables	23,283			23,283
Inventory	8,487			8,487
Total assets	<u>\$ 104,599</u>	<u>\$ 58,897</u>	<u>\$ 49,769</u>	<u>\$ 213,265</u>
Liabilities				
Due to other funds	\$ 2,818			\$ 2,818
Accounts payable	28,827			28,827
Accrued salaries and benefits	18,323	\$ 58,897	\$ 48,152	125,372
Total liabilities	49,968	58,897	48,152	157,017
Deferred inflows of resources				
Deferred property tax revenues			1,617	1,617
Fund balance				
Nonspendable for inventory	8,487			8,487
Restricted for food service	46,144			46,144
Total fund balance	<u>54,631</u>	<u>-</u>	<u>-</u>	<u>54,631</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 104,599</u>	<u>\$ 58,897</u>	<u>\$ 49,769</u>	<u>\$ 213,265</u>

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Special Revenue Funds			Totals
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	
Revenues				
Local sources	\$ 257,257		\$ 250,914	\$ 508,171
State sources	18,521			18,521
Federal sources	525,033	\$ 282,128		807,161
Total revenues	800,811	282,128	250,914	1,333,853
Expenditures				
Instruction		282,128	304,024	586,152
Supporting services	844,303		613	844,916
Total expenditures	844,303	282,128	304,637	1,431,068
Excess of revenues over (under) expenditures	(43,492)	-	(53,723)	(97,215)
Other financing sources				
Transfers in			53,723	53,723
Net change in fund balance	(43,492)	-	-	(43,492)
Fund balance at beginning of year	98,123	-	-	98,123
Fund balance at end of year	\$ 54,631	\$ -	\$ -	\$ 54,631

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 313,358	\$ 313,358	\$ 257,257	\$ (56,101)
State sources	5,855	5,855	18,521	12,666
Federal sources	523,735	523,735	525,033	1,298
Total revenues	842,948	842,948	800,811	(42,137)
Expenditures				
Supporting services				
Salaries	116,178	214,295	82,274	132,021
Employee benefits	26,644	53,274	26,090	27,184
Purchased services	132,943	73,526	307,829	(234,303)
Supplies and materials	445,156	464,916	427,128	37,788
Property	2,000	5,319		5,319
Other	23,988	909	982	(73)
Total expenditures	746,909	812,239	844,303	(32,064)
Excess of revenues over (under) expenditures	\$ 96,039	\$ 30,709	(43,492)	\$ (10,073)
Fund balance at beginning of year			98,123	
Fund balance at end of year			\$ 54,631	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Designated Purpose Grants Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources				
Services within the BOCES	\$ 249,991	\$ 249,991	\$ 282,128	\$ 32,137
Total revenues	249,991	249,991	282,128	32,137
Expenditures				
Instruction				
Salaries	205,169	183,774	185,302	(1,528)
Employee benefits	21,822	69,024	83,170	(14,146)
Purchased services		3,000	1,897	1,103
Supplies	20,000	20,000	11,759	8,241
Total instruction	246,991	275,798	282,128	(6,330)
Supporting services				
Supplies	3,000			-
Total expenditures	249,991	275,798	282,128	(6,330)
Excess of revenues over (under) expenditures	\$ -	\$ (25,807)	-	\$ 25,807
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Full-Day Kindergarten Mill Levy Override Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 250,000	\$ 250,000	\$ 250,477	\$ 477
Specific ownership taxes			238	238
Delinquent taxes and interest			199	199
Total revenues	250,000	250,000	250,914	914
Expenditures				
Instruction				
Salaries	200,000	200,000	227,597	(27,597)
Employee benefits	70,000	70,000	68,014	1,986
Supplies	15,000	15,000	8,413	6,587
Total instruction	285,000	285,000	304,024	(19,024)
Supporting services				
Purchased services	625	625	613	12
Total expenditures	285,625	285,625	304,637	(19,012)
Excess of revenues over (under) expenditures	(35,625)	(35,625)	(53,723)	(18,098)
Other financing sources				
Transfers in	35,625	35,625	53,723	18,098
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

Budgetary Comparison Schedule – Debt Service Fund

The District reports the following major debt service fund:

Debt Service Fund – These funds account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

- Bond Redemption Fund – This fund is a debt service fund used to account for the revenues from a specific tax levy for the purpose of the repayment of debt principal, interest and other fiscal charges.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Bond Redemption Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,466,668	\$ 1,466,668	\$ 1,543,221	\$ 76,553
Delinquent taxes and interest			1,240	1,240
Interest on investments	2,000	2,000	3,994	1,994
Intermediate sources	300	300		(300)
Total revenues	1,468,968	1,468,968	1,548,455	79,487
Expenditures				
Debt service				
Principal retirement	860,000	2,360,000	860,000	1,500,000
Interest and fiscal charges	212,484	45,382	179,304	(133,922)
Bond issuance costs			28,859	(28,859)
Total expenditures	1,072,484	2,405,382	1,068,163	1,337,219
Excess of revenue over (under) expenditures	396,484	(936,414)	480,292	1,416,706
Other financing sources (uses)				
Proceeds of refunding bonds			1,685,000	1,685,000
Premium on bonds			99,305	99,305
Payment to escrow agent			(3,190,000)	(3,190,000)
Total other financing sources (uses)	-	-	(1,405,695)	(1,405,695)
Net change in fund balance	\$ 396,484	\$ (936,414)	(925,403)	\$ 11,011
Fund balance at beginning of year			2,637,760	
Fund balance at end of year			<u>\$ 1,712,357</u>	

Budgetary Comparison Schedules - Fiduciary Funds

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

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

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

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Earnings on investments			\$ 42	\$ 42
Fundraising and other events	\$ 600,000	\$ 600,000	454,156	(145,844)
Total additions	600,000	600,000	454,198	(145,802)
Deductions				
Pupil activity expenditures	600,000	600,000	458,601	141,399
Total deductions	600,000	600,000	458,601	141,399
Excess of additions over (under) deductions	\$ -	\$ -	(4,403)	\$ (4,403)
Due to student groups at beginning of year			218,827	
Due to student groups at end of year			\$ 214,424	

BRUSH SCHOOL DISTRICT NO. RE-2(J)
Scholarship Trust Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 77	\$ 77
Contributions	\$ 140,000	\$ 140,000	149,100	9,100
Total revenues	140,000	140,000	149,177	9,177
Expenditures				
Scholarship awards	140,000	140,000	150,520	(10,520)
Total expenditures	140,000	140,000	150,520	(10,520)
Excess of revenues over (under) expenditures	\$ -	\$ -	(1,343)	\$ (1,343)
Net position at beginning of year			282,284	
Net position at end of year			\$ 280,941	

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**Colorado Department of Education
Supplementary Schedule**

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

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Brush School District No. RE-2(J)
Brush, Colorado

We have audited the financial statements of the Brush School District No. RE-2(J) (the District) as of and for the year ended June 30, 2016, and our report thereon dated November 8, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 8, 2016

Colorado Department of Education
Auditors Integrity Report
 District: 2385 - BRUSH RE-2(I)
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880)* Ending Fund Balance
Governmental			
10 General Fund	12,329,781	11,403,607	4,176,327
19 Risk Mgmt Sub-Fund of General Fund	0	0	0
29 Colorado Prethreshold Program Fund	0	0	0
Sub-Totals	12,329,781	11,403,607	4,176,327
11 Charter School Fund	0	0	0
20 25-29 Special Revenue Fund	0	0	0
21 Fund Service Grant Revenue Fund	864,262	864,262	54,631
22 Fund Designated Purpose Grants Fund	262,128	262,128	0
23 Pupil Activity Special Revenue Fund	0	0	0
24 Full Day Kindergarten (all Day Override)	304,637	304,637	0
25 Transportation Fund	0	0	0
31 Bond Redemption Fund	2,532,700	4,328,162	1,712,357
39 Certificate of Participation (COPI) Debt Service Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0
Totals	17,680,117	17,172,637	6,007,315
Proprietary			
50 Other Enterprise Funds	0	0	0
64-653 Educational Activity Fund	0	0	0
60 65-69 Other Internal Service Funds	0	0	0
Totals	0	0	0
Fiduciary			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	282,284	150,520	280,941
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	219,827	410,401	214,424
79 Cash/3rd Party Permanent Fund	0	0	0
85 Foundations	0	0	0
Totals	501,111	600,121	495,364

FINAL

*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.