

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

Financial Statements

For the Year Ended June 30, 2017



RECEIVED

By the Office of the State Auditor at 9:47 am, Dec 14, 2017

Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-2
Management's Discussion and Analysis	3-7
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	10
Statement of Activities	12-13
Fund Financial Statements	
Balance Sheet – Governmental Funds	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Statement of Fiduciary Net Position – Fiduciary Funds	18
Notes to Financial Statements	19-45
Required Supplementary Information	
General Fund	
Budgetary Comparison Schedule	48
Schedule of the District's Proportionate Share of the Net Pension Liability	49
Schedule of the District Contributions	50
Notes to the Required Supplementary Information	51
Other Supplementary Information	
General Fund	
Budgetary Comparison Schedule – Revenues	56
Budgetary Comparison Schedule – Expenditures	58-60
Combining Statements and Budgetary Comparison Schedules – Nonmajor Governmental Funds	
Combining Balance Sheet	62
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	63
Budgetary Comparison Schedule – Food Service Fund	64
Budgetary Comparison Schedule – Capital Reserve Capital Projects Fund	65

Table of Contents

	<u>Page</u>
Fiduciary Fund	
Budgetary Comparison Schedule – Pupil Activity Agency Fund	68
Colorado Department of Education Supplementary Schedule	
Independent Auditors’ Report on Auditors’ Integrity Report	71
Auditors’ Integrity Report	72



Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Deer Trail School District No. 26-J (the District), as of and for the year ended June 30, 2017, 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, 2017, 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 20, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Deer Trail School District 26J, we offer readers of Deer Trail School District 26J (the District) financial statements this narrative overview and analysis of the financial activities of Deer Trail School District 26J for the fiscal year ended June 30, 2017.

Financial Highlights

- The liabilities and deferred inflows of resource of Deer Trail School District 26J exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$2,013,496.
- Deer Trail School District 26J's total net position decreased by \$1,329,583.
- As of the close of the current fiscal year, Deer Trail School District 26J's governmental funds reported a combined ending fund balance of \$1,023,644.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 10-13 of this report.

Fund Financial Statements

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

Governmental Funds

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

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

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

The basic governmental fund financial statements can be found on pages 14-17 of this report.

The District adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the General Fund, Food Service Fund and Capital Projects Fund are included on pages 48, 64 and 65 of this report to demonstrate compliance with the adopted budget.

Fiduciary Funds

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

The basic fiduciary fund financial statements can be found on page 18 of this report.

Government-Wide Financial Analysis

The District had a decrease in net position from Governmental Activities of \$1,329,583 for the year.

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

	As of June 30, 2016	As of June 30, 2017
	Governmental Activities	Governmental Activities
Current Assets	1,116,001	1,258,426
Capital Assets	<u>2,674,217</u>	<u>2,480,113</u>
Total Assets	3,790,218	3,738,539
Deferred outflows of resources	<u>701,660</u>	<u>3,385,737</u>
Total assets and deferred outflows	<u>4,491,878</u>	<u>7,124,276</u>
Current Liabilities	186,863	212,528
Long Term Liabilities	<u>4,852,023</u>	<u>8,661,137</u>
Total Liabilities	5,038,886	8,873,665
Deferred inflows of resources	136,905	264,107
Net investment in capital assets	2,501,130	2,376,370
Restricted	137,290	133,413
Unrestricted	<u>(3,322,333)</u>	<u>(4,523,279)</u>
Total Net Position	<u>(683,913)</u>	<u>(2,013,496)</u>
Total liabilities, deferred inflows and net position	<u>4,491,878</u>	<u>7,124,276</u>

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

	As of June 30, 2016	As of June 30, 2017
	Governmental Activities	Governmental Activities
Revenues:		
Program Revenues:		
Charges for Services	21,290	20,100
Operating Grants and Contributions	240,737	231,706
Capital Grants	412	-
General Revenues:		
Tax Revenues	995,418	981,956
Unrestricted State Aid	1,233,551	1,376,121
Investment Earnings	1,007	2,223
Other Revenues	<u>88,026</u>	<u>98,100</u>
Total Revenues	<u>2,580,441</u>	<u>2,710,206</u>
Expenses:		
Governmental Activities:		
Instructional Programs	1,470,349	2,385,482
Supporting Services	1,203,966	1,485,762
Depreciation	172,092	161,904
Interest-Long term debt	<u>8,407</u>	<u>6,641</u>
Business-type Activities:		
Food Service		
Total Expenses	<u>2,854,814</u>	<u>4,039,789</u>
Change in Net Position	(274,373)	(683,913)
Beginning Net Position	<u>(409,540)</u>	<u>(683,913)</u>
Ending Net Position (deficit)	<u>(683,913)</u>	<u>(2,013,496)</u>

Fund Level Financial Analysis

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

The General Fund is the largest of the District's funds. The fund balance at the beginning of the 2016-2017 fiscal year was \$741,853. The ending fund balance for 2016-2017 of \$935,865 reflects a fund balance increase of \$194,012.

General Fund Budgetary Highlights

The District Board adopted the 2016-2017 Budget on June 27, 2016. A revised budget and an appropriation resolution for \$3,226,927 were adopted on January 23, 2017. The adoption of the budget and the revised budget appear to be within the deadlines established by Colorado statute for school districts.

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

<u>Fund</u>	<u>Revised 1/23/2017</u>
General	\$ 2,833,652
Capital Reserve/Capital Projects	134,610
Food Service	153,665
Student Activity	<u>105,000</u>
Total Budget/Appropriation	<u>\$ 3,226,927</u>

Capital Assets

The District did not acquire any capital assets during the 2016-17 school year. The District reported net capital assets of \$2,480,113 in its governmental activities.

Long-Term Debt

At year-end, the School District's long-term debt of \$8,661,137 represented its compensated absences of \$18,335, capital lease obligations of \$103,743 and net pension liability of \$8,539,059.

Economic Factors and Next Year's Budget

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

We continue working with our current insurance broker. Our insurance has two parts, a high deductible policy and a gap plan to cover the high deductible. While one part of the policy will see a rise in the cost, the other policy will see a reduction in the district cost. Estimated change is expected to be minimal. This product allows us to provide a higher quality product with reasonable premium rates.

Our anticipated student count increased this school year, but not to the predicted 41 students that CDE estimated. Our student population did increase by seven students on the October count day. Since the October count, we have gone up another eight students. Next year, CDE projects another hefty gain estimated to be more than 50 students. While the high projected student count by CDE is something we need to be aware of, these numbers may not be realized until the new school is finished.

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

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

In November of 2016, the community approved a 6.8 million dollar bond issue. Combined with a successful BEST grant application, the new K-12 building is projected to be opened in the fall of 2019.

The teacher shortage in our district is being addressed by using the district housing to its fullest capacity and using grant funds to build a higher level of professional development within the district. A counselor was added to the staff this year with the awarding of the counselor grant through CDE. It is hoped that increased student count will sustain the position into the future.

A continued concern is the number of students with special needs who are entering our district. Increased numbers in this area are a concern, not only on our current staffing level, but with costs associated with some students possibly utilizing centralized programs.

Request for Information

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

This page intentionally left blank.

Basic Financial Statements

The basic financial statements of the District include the following:

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

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

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Statement of Net Position
June 30, 2017

	Governmental Activities
Assets	
Cash	\$ 927,546
Cash with fiscal agent	2,280
Investments	281,874
Receivables	44,830
Inventory	1,896
Capital assets, net of depreciation	2,480,113
Total assets	3,738,539
Deferred outflows of resources	
Pension deferrals	3,385,737
Total assets and deferred outflows of resources	<u>\$ 7,124,276</u>
Liabilities	
Accounts payable	\$ 28,369
Accrued salaries and benefits	183,326
Payroll deductions and withholdings	833
Noncurrent liabilities	
Due within one year	39,575
Due in more than one year	8,621,562
Total liabilities	8,873,665
Deferred inflows of resources	
Pension deferrals	264,107
Total deferred inflows of resources	264,107
Net position	
Net investment in capital assets	2,376,370
Restricted for:	
Emergencies	78,000
Colorado preschool program	36,385
Food service operations	19,028
Unrestricted	(4,523,279)
Total net position (deficit)	(2,013,496)
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,124,276</u>

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

This page intentionally left blank.

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Statement of Activities
For the Year Ended June 30, 2017

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 2,385,482	\$ 2,622	\$ 142,868	
Supporting services				
Students	60,341			
Instructional staff	37,695		21,142	
General administration	285,931			
School administration	279,995			
Business services	113,100			
Operations and maintenance	255,674			
Student transportation	112,209		15,127	
Central support services	144,367			
Food service operations	172,937	17,478	52,569	
Community services	4,763			
Facilities acquisition	18,750			
Unallocated depreciation *	161,904			
Interest on long-term obligations	6,641			
Total primary government	<u>\$ 4,039,789</u>	<u>\$ 20,100</u>	<u>\$ 231,706</u>	<u>\$ -</u>

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

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

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

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

Net (Expenses)
Revenues and
Change in
Net Position

Total
Governmental
Activities

\$ (2,239,992)

(60,341)

(16,553)

(285,931)

(279,995)

(113,100)

(255,674)

(97,082)

(144,367)

(102,890)

(4,763)

(18,750)

(161,904)

(6,641)

(3,787,983)

905,521

72,737

3,698

1,376,121

2,223

98,100

2,458,400

(1,329,583)

(683,913)

\$ (2,013,496)

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 846,040	\$ 81,506	\$ 927,546
Cash with fiscal agent	2,280		2,280
Investments	281,874		281,874
Property taxes receivable	29,253		29,253
Grants receivable		4,377	4,377
Other receivables	11,200		11,200
Inventories		1,896	1,896
Total assets	\$ 1,170,647	\$ 87,779	\$ 1,258,426
Liabilities			
Accounts payable	\$ 28,369		\$ 28,369
Accrued salaries and benefits	183,326		183,326
Payroll deductions and withholdings	833		833
Total liabilities	212,528	\$ -	212,528
Deferred inflows of resources			
Deferred property tax revenues	22,254		22,254
Total deferred inflows of resources	22,254	-	22,254
Fund balance			
Nonspendable inventories		1,896	1,896
Restricted for:			
Emergencies	78,000		78,000
Colorado preschool program	36,385		36,385
Food service operations		19,028	19,028
Committed for capital projects		66,855	66,855
Unassigned	821,480		821,480
Total fund balance	935,865	87,779	1,023,644
Total liabilities, deferred inflows of resources and fund balance	\$ 1,170,647	\$ 87,779	\$ 1,258,426

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2017

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

Total fund balance - governmental funds	\$ 1,023,644
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	2,480,113
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	22,254
Long-term liabilities and related deferred outflows and inflows of resources, including capital lease obligations, compensated absences and net pension liability, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(5,539,507)</u>
Net position (deficit) of the governmental activities	<u><u>\$ (2,013,496)</u></u>

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,056,134	\$ 17,573	\$ 1,073,707
Intermediate sources	24,648		24,648
State sources	1,488,895	755	1,489,650
Federal sources	66,363	51,814	118,177
Total revenues	2,636,040	70,142	2,706,182
Expenditures			
Instruction	1,470,871		1,470,871
Supporting services	901,900	125,938	1,027,838
Capital outlay		18,751	18,751
Debt service			
Principal retirement	34,019	35,326	69,345
Interest and fiscal charges	4,398	2,243	6,641
Total expenditures	2,411,188	182,258	2,593,446
Excess of revenues over (under) expenditures	224,852	(112,116)	112,736
Other financing sources (uses)			
Transfers in		30,840	30,840
Transfers out	(30,840)		(30,840)
Total other financing sources (uses)	(30,840)	30,840	-
Net change in fund balance	194,012	(81,276)	112,736
Fund balance at beginning of year	741,853	169,055	910,908
Fund balance at end of year	\$ 935,865	\$ 87,779	\$ 1,023,644

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

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

Net change in fund balances - governmental funds	\$ 112,736
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.	(194,104)
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.	4,024
In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows, as well as accrued compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(1,321,584)
Repayment of principal on capital lease obligations are expenditures in the governmental funds, but the repayment reduce the long-term debt liability in the statement of position.	<u>69,345</u>
Change in net position of governmental activities	<u><u>\$ (1,329,583)</u></u>

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash	\$ 39,544
Total assets	<u>\$ 39,544</u>
Liabilities	
Due to student groups	\$ 39,544
Total liabilities	<u>\$ 39,544</u>

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

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

Note A – Summary of significant accounting policies

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

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

A.1 – Reporting entity

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

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

A.2 – Fund accounting

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

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

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

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

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.

The following is the District’s nonmajor governmental fund:

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

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

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

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

Note A.3 – Basis of presentation

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

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

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

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

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

Note A – Summary of significant accounting policies (Continued)

A.4 – Basis of accounting

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

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

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

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

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

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

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

Note A – Summary of significant accounting policies (Continued)

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

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

A.5 – Encumbrances

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

A.6 – Short-term interfund receivables/payables

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

A.7 – Inventories

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

A.8 – Capital assets

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

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

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.9 – Compensated absences

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

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

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

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

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

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

Note A – Summary of significant accounting policies (Continued)

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

A.10 – Accrued liabilities and long-term obligations

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

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

A.11 – Fund balance

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

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

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

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

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

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

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

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.12 – Net position

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

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

A.13 – Interfund transactions

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

A.14 – Extraordinary and special items

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

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

Note B – Cash and investments

Cash and deposits

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,005,091, of which \$250,000 was insured and \$755,091 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

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase

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

Note B – Cash and investments (Continued)

agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2017, the District had invested \$281,874 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

At year-end, the District had the following investments. The investment in Colostrust is maintained in the General Fund.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colostrust	<u>\$ 281,874</u>	<u>\$ 281,874</u>	<u>\$ -</u>	<u>\$ -</u>

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. At year-end, the District's investment in Colostrust 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	\$ 967,090
Investment in Colostrust	<u>281,874</u>
Total	<u>\$ 1,248,964</u>
<u>Statement of net position</u>	
Cash	\$ 927,546
Investments	<u>281,874</u>
Subtotal	1,209,420
<u>Statement of fiduciary net position</u>	
Cash	<u>39,544</u>
Total	<u>\$ 1,248,964</u>

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

Note B – Cash and investments (Continued)

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Receivables</u>
Property taxes receivable	\$ 29,253
Grants receivable	4,377
Other receivables	<u>11,200</u>
Total	<u>\$ 44,830</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. Adams and Arapahoe Counties bill and collect property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

Note D – Interfund transactions

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
General fund	\$ -	\$ 30,840
Other governmental funds	<u>30,840</u>	<u>-</u>
Total	<u>\$ 30,840</u>	<u>\$ 30,840</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$30,840 from the General Fund to the Other Governmental Fund to subsidize the costs of maintaining the District's food service operations.

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

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Adjustments</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 210,557	\$ -	\$ -	\$ 210,557
Total capital assets, not being depreciated	210,557	-	-	210,557
Capital assets, being depreciated:				
Buildings and improvements	5,617,202	-	-	5,617,202
Transportation equipment	573,526	-	-	573,526
Other equipment	<u>972,682</u>	<u>-</u>	<u>-</u>	<u>972,682</u>
Total capital assets, being depreciated	<u>7,163,410</u>	<u>-</u>	<u>-</u>	<u>7,163,410</u>
Total capital assets	7,373,967	-	-	7,373,967
Less accumulated depreciation for:				
Buildings and improvements	(3,508,041)	(150,421)	-	(3,658,462)
Transportation equipment	(391,467)	(28,921)	-	(420,388)
Other equipment	<u>(800,242)</u>	<u>(14,762)</u>	<u>-</u>	<u>(815,004)</u>
Total accumulated depreciation	<u>(4,699,750)</u>	<u>(194,104)</u>	<u>-</u>	<u>(4,893,854)</u>
Governmental activities capital assets, net	<u>\$ 2,674,217</u>	<u>\$ (194,104)</u>	<u>\$ -</u>	<u>\$ 2,480,113</u>

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

Governmental activities	
Instruction	\$ 3,115
Operations and maintenance	6,983
Student transportation	19,081
Food service operations	1,717
Community services	1,304
Unallocated	<u>161,904</u>
Total	<u>\$ 194,104</u>

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

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$183,326. 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	\$ 20,107	\$ -	\$ (1,772)	\$ 18,335	\$ -
Capital lease obligations	173,088	-	(69,345)	103,743	39,575
Net pension liability	<u>4,658,828</u>	<u>3,880,231</u>	<u>-</u>	<u>8,539,059</u>	<u>-</u>
Total	<u>\$ 4,852,023</u>	<u>\$ 3,880,231</u>	<u>\$ (71,117)</u>	<u>\$ 8,661,137</u>	<u>\$ 39,575</u>

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

Capital lease obligations

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

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

Note G – Long-term debt (Continued)

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

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

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

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2018	\$ 42,632
2019	50,316
2020	<u>15,843</u>
Total minimum lease payments	108,791
Less amount representing interest	<u>(5,048)</u>
Present value of future net minimum lease payments	<u>\$ 103,743</u>

Note H – Defined benefit pension plan (Continued)

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.

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

Note H – Defined benefit pension plan

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 :

- 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.

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

Note H – Defined benefit pension plan (Continued)

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, 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:

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

Note H – Defined benefit pension plan (Continued)

	For the Year Ended December 31, <u>2016</u>	For the Year Ended December 31, <u>2017</u>
Employer contribution rate ¹	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) ¹	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 ¹	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 ¹	<u>4.50%</u>	<u>5.00%</u>
Total employer contribution rate to the SCHDTF ¹	<u><u>18.13%</u></u>	<u><u>18.63%</u></u>

¹Rates are expressed as a percentage of salary as define in C.R.S. Section 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$252,637 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 \$8,539,059 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

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

Note H – Defined benefit pension plan (Continued)

At December 31, 2016, the District's proportion was 0.0287 percent, which was a decrease of 0.0018 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$1,575,992. 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	\$ 108,987	\$ 77
Changes of assumptions or other inputs	2,770,746	40,899
Net difference between projected and actual earnings on pension plan investments	300,615	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	74,348	223,131
Contributions subsequent to the measurement date	<u>131,041</u>	<u>-</u>
Total	<u>\$ 3,385,737</u>	<u>\$ 264,107</u>

\$131,041 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>
2018	\$ 1,193,173
2019	1,206,701
2020	587,867
2021	<u>2,848</u>
Totals	<u>\$ 2,990,589</u>

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

Note H – Defined benefit pension plan (Continued)

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
Discount rate	7.50 percent
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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016.

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

Note H – Defined benefit pension plan (Continued)

The actuarial assumptions used in the December 31, 2015 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.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability and roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustment for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

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

Note H – Defined benefit pension plan (Continued)

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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 18, 2016 adoption of the current long-term expected 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>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	<u>1.00%</u>	0.20%
 Total	 <u>100.00%</u>	

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

Note H – Defined benefit pension plan (Continued)

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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 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:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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 and effective as of the measurement date, 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

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

Note H – Defined benefit pension plan (Continued)

on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan’s fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current 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 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease <u>(4.26%)</u>	Current Discount <u>(5.26%)</u>	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	\$ 10,737,592	\$ 8,539,059	\$ 6,748,433

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

Note H – Defined benefit pension plan (Continued)

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.

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, program members contributed \$10,241 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, selfinsure 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.

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

Note J – Other postemployment benefits (Continued)

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, 2017, 2016 and 2015, the District's contributions to the HCTF were \$13,279, \$13,603, and \$12,839, respectively, equal to their required contributions for each year.

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverage through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverage. The District's contribution for the year was \$24,072. 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

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

Note L – Commitments and contingencies (Continued)

limit” must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. On November 3, 1998, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR’s language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$78,000 for the emergency reserve.

Note M – Joint ventures

East Central Board of Cooperative Educational Services

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

Prairie Creeks Charter School

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

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

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

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

Note M – Joint ventures (Continued)

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

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

For the year, the District's contributions to the BOCES and the Charter School were \$71,171 and \$27,040, respectively.

This page intentionally left blank.

Required Supplementary Information

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

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 987,276	\$ 987,276	\$ 1,056,134	\$ 68,858
Intermediate sources			24,648	24,648
State sources	1,410,651	1,470,140	1,488,895	18,755
Federal sources	31,396	49,038	66,363	17,325
Total revenues	2,429,323	2,506,454	2,636,040	129,586
Expenditures				
Instruction	1,585,931	1,648,407	1,470,871	177,536
Supporting services	1,226,060	1,154,505	901,900	252,605
Debt service				
Principal	25,895	25,895	34,019	(8,124)
Interest and fiscal charges	4,845	4,845	4,398	447
Total expenditures	2,842,731	2,833,652	2,411,188	422,464
Excess of revenues over (under) expenditures	(413,408)	(327,198)	224,852	552,050
Other financing uses				
Transfers out			(30,840)	(30,840)
Net change in fund balance	\$ (413,408)	\$ (327,198)	194,012	\$ 521,210
Fund balance at beginning of year			741,853	
Fund balance at end of year			\$ 935,865	

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Schedule of the District's Proportionate Share of the Net Pension Liability ¹
June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0286797113%	0.0304612180%	0.0292149357%
District's proportionate share of the net net pension liability	\$ 8,539,059	\$ 4,658,828	\$ 3,959,605
District's covered-employee payroll	\$ 1,301,842	\$ 1,333,663	\$ 1,258,763
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	655.92%	349.33%	314.56%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.84%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Schedule of District Contributions ¹
June 30, 2017

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 252,637	\$ 247,545	\$ 225,410
Contributions in relation to the contractually required contribution	<u>(252,637)</u>	<u>(247,545)</u>	<u>(225,410)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,301,842	\$ 1,333,663	\$ 1,258,763
Contributions as a percentage of covered-employee payroll	19.41%	18.56%	17.91%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

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

Note A – Budgetary data

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

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

This page intentionally left blank.

Other Supplementary Information

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

This page intentionally left blank.

Budgetary Comparison Schedules – General Fund

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 873,531	\$ 873,531	\$ 901,497	\$ 27,966
Specific ownership taxes	66,345	66,345	72,737	6,392
Delinquent taxes and interest			3,698	3,698
Earnings on investments	600	600	2,128	1,528
Pupil activities	2,500	2,500	2,518	18
Community service activities			104	104
Other local revenue	44,300	44,300	73,452	29,152
Total local sources	987,276	987,276	1,056,134	68,858
Intermediate sources			24,648	24,648
State sources				
Equalization	1,320,675	1,376,164	1,376,121	(43)
Vocational education	17,000	21,000	22,445	1,445
Tobacco policy grant	25,000	25,000	27,255	2,255
ELPA professional development			3,507	3,507
English language proficiency			2,440	2,440
Transportation	16,000	16,000	15,127	(873)
READ Act			5,082	5,082
State grants to libraries			3,500	3,500
Additional at-risk funding			1,490	1,490
Services within the BOCES	31,976	31,976	31,928	(48)
Total state sources	1,410,651	1,470,140	1,488,895	18,755
Federal sources				
Title I-A school improvement			15,375	15,375
Early childhood readiness			98	98
REAP		17,642	17,642	-
Services within the BOCES	31,396	31,396	33,248	1,852
Total federal sources	31,396	49,038	66,363	17,325
Total revenues	\$ 2,429,323	\$ 2,506,454	\$ 2,636,040	\$ 129,586

This page intentionally left blank.

DEER TRAIL SCHOOL DISTRICT NO. 26-J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 979,490	\$ 992,125	\$ 963,188	\$ 28,937
Employee benefits	333,451	354,386	281,445	72,941
Purchased services	152,515	180,465	142,332	38,133
Supplies and materials	103,305	100,836	69,487	31,349
Property	12,700	16,200	12,089	4,111
Other	4,470	4,395	2,330	2,065
Total instruction	1,585,931	1,648,407	1,470,871	177,536
Supporting services				
Students				
Salaries	2,900	10,900	11,781	(881)
Employee benefits	625	2,320	2,811	(491)
Purchased services	40,465	32,750	32,039	711
Supplies and materials	2,250	2,250	2,540	(290)
Other	100	100		100
Total students	46,340	48,320	49,171	(851)
Instructional staff				
Salaries	1,500	3,000	1,250	1,750
Employee benefits	325	650	267	383
Purchased services	14,545	15,045	29,063	(14,018)
Supplies and materials	5,000	5,800	5,930	(130)
Total instructional staff	21,370	24,495	36,510	(12,015)
General administration				
Salaries	102,000	102,000	102,000	-
Employee benefits	22,520	22,520	20,990	1,530
Purchased services	46,600	52,200	53,411	(1,211)
Supplies and materials	8,750	10,650	8,257	2,393
Other	5,600	5,600	4,559	1,041
Total general administration	185,470	192,970	189,217	3,753

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	123,925	123,925	121,462	2,463
Employee benefits	91,515	38,115	28,234	9,881
Purchased services	20,500	19,500	9,053	10,447
Supplies and materials	3,500	3,500	2,663	837
Property	3,500	3,500	3,416	84
Other	2,000	2,000		2,000
Total school administration	244,940	190,540	164,828	25,712
Business services				
Salaries	39,000	39,000	38,107	893
Employee benefits	13,600	13,900	7,806	6,094
Purchased services	33,965	33,465	25,991	7,474
Supplies and materials	2,500	2,500	856	1,644
Property	2,000	2,000	1,090	910
Other	1,000	1,000	3,118	(2,118)
Total business services	92,065	91,865	76,968	14,897
Operations and maintenance				
Salaries	79,060	79,060	40,378	38,682
Employee benefits	26,500	27,100	10,878	16,222
Purchased services	67,350	69,110	61,455	7,655
Supplies and materials	150,400	146,400	92,293	54,107
Property	6,500	7,700	5,401	2,299
Total operations and maintenance	329,810	329,370	210,405	118,965
Student transportation				
Salaries	42,000	43,000	28,901	14,099
Employee benefits	9,150	9,365	6,110	3,255
Purchased services	34,350	35,300	19,019	16,281
Supplies and materials	32,500	32,500	11,306	21,194
Property	1,000	1,000		1,000
Other	500	500	388	112
Total student transportation	119,500	121,665	65,724	55,941

(continued)

DEER TRAIL SCHOOL DISTRICT NO. 26-J
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2017

(continued)	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Favorable
				(Unfavorable)
Central support services				
Salaries	4,500	44,400	39,867	4,533
Employee benefits	13,685	14,175	13,647	528
Purchased services	95,900	56,600	39,591	17,009
Supplies and materials	27,000	27,000	7,439	19,561
Property	6,500	6,500	6,022	478
Other	750	750		750
Total central support services	148,335	149,425	106,566	42,859
Community services				
Salaries	17,120	1,000	1,000	-
Employee benefits	3,460	205	211	(6)
Purchased services	10,650	2,650	1,300	1,350
Supplies and materials	6,000	1,000		1,000
Property	1,000	1,000		1,000
Total community services	38,230	5,855	2,511	3,344
Total supporting services	1,226,060	1,154,505	901,900	252,605
Debt service				
Principal	25,895	25,895	34,019	(8,124)
Interest and fiscal charges	4,845	4,845	4,398	447
Total debt service	30,740	30,740	38,417	(7,677)
Total expenditures	\$ 2,842,731	\$ 2,833,652	\$ 2,411,188	\$ 422,464

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

The District reports the following nonmajor governmental funds:

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

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

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

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

	Food Service Fund	Capital Reserve Capital Projects Fund	Totals
Assets			
Cash	\$ 14,651	\$ 66,855	\$ 81,506
Grants receivable	4,377		4,377
Inventories	1,896		1,896
Total assets	<u>\$ 20,924</u>	<u>\$ 66,855</u>	<u>\$ 87,779</u>
Liabilities	\$ -	\$ -	\$ -
Fund balance			
Nonspendable inventories	1,896		1,896
Restricted for food service operations	19,028		19,028
Committed to capital projects		66,855	66,855
Total fund balance	<u>20,924</u>	<u>66,855</u>	<u>87,779</u>
Total liabilities and fund balance	<u>\$ 20,924</u>	<u>\$ 66,855</u>	<u>\$ 87,779</u>

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2017

	Food Service Fund	Capital Reserve Capital Projects Fund	Totals
Revenues			
Local sources	\$ 17,498	\$ 75	\$ 17,573
State sources	755		755
Federal sources	51,814		51,814
Total revenues	70,067	75	70,142
Expenditures			
Supporting services	125,938		125,938
Capital outlay		18,751	18,751
Debt service			
Principal retirement		35,326	35,326
Interest and fiscal charges		2,243	2,243
Total expenditures	125,938	56,320	182,258
Excess of revenues over (under) expenditures	(55,871)	(56,245)	(112,116)
Other financing sources			
Transfers in	30,840		30,840
Net change in fund balance	(25,031)	(56,245)	(81,276)
Fund balance at beginning of year	45,955	123,100	169,055
Fund balance at end of year	\$ 20,924	\$ 66,855	\$ 87,779

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 18,050	\$ 18,050	\$ 17,498	\$ (552)
State sources			755	755
Federal sources	39,000	39,000	51,814	12,814
Total revenues	57,050	57,050	70,067	13,017
Food service operations				
Salaries and benefits	70,260	70,860	66,640	4,220
Purchased services	2,900	2,900	4,166	(1,266)
Supplies and materials	56,750	56,750	54,394	2,356
Property	4,000	4,000	738	3,262
Other	100	100		100
Total expenditures	134,010	134,610	125,938	8,672
Excess of revenues over (under) expenditures	(76,960)	(77,560)	(55,871)	21,689
Other financing sources				
Transfers in	58,000	58,000	30,840	(27,160)
Net change in fund balance	\$ (18,960)	\$ (19,560)	(25,031)	\$ (5,471)
Fund balance at beginning of year			45,955	
Fund balance at end of year			\$ 20,924	

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 200	\$ 200	\$ 75	\$ (125)
Total revenues	200	200	75	(125)
Expenditures				
Capital outlay				
Purchased services	35,000	35,000	18,750	16,250
Property	77,500	77,500	1	77,499
Debt service				
Principal retirement	37,655	37,655	35,326	2,329
Interest and fiscal charges	3,510	3,510	2,243	1,267
Total expenditures	153,665	153,665	56,320	97,345
Excess of revenues over (under) expenditures	(153,465)	(153,465)	(56,245)	97,220
Other financing sources				
Transfers in	50,000	50,000		(50,000)
Net change in fund balance	<u>\$ (103,465)</u>	<u>\$ (103,465)</u>	(56,245)	<u>\$ 47,220</u>
Fund balance at beginning of year			<u>123,100</u>	
Fund balance at end of year			<u>\$ 66,855</u>	

This page intentionally left blank.

Budgetary Comparison Schedule – Fiduciary Fund

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

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

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

DEER TRAIL SCHOOL DISTRICT NO. 26-J
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Earnings on investments	\$ 100	\$ 100	\$ 16	\$ (84)
Fundraising and other events	90,000	90,000	76,844	(13,156)
Total additions	90,100	90,100	76,860	(13,240)
Deductions				
Pupil activity expenditures	105,000	105,000	75,089	29,911
Total deductions	105,000	105,000	75,089	29,911
Excess of additions over (under) deductions	\$ (14,900)	\$ (14,900)	1,771	\$ 16,671
Due to student groups at beginning of year			37,773	
Due to student groups at end of year			\$ 39,544	

**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.

This page intentionally left blank.



Independent Auditors' Report on Auditors' Integrity Report

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

We have audited the financial statements of the Deer Trail School District No. 26-J (the District) as of and for the year ended June 30, 2017, and our report thereon dated November 20, 2017 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 20, 2017



Colorado Department of Education
Auditors Integrity Report
 District: 0170 - DEER TRAIL 26J
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental				
10 General Fund	741,853	2,605,200	2,411,188	915,865
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	741,853	2,605,200	2,411,188	915,865
11 Charter School Fund	0	0	0	0
20.0001 Special Revenue Fund	0	0	0	0
58 Substantial Cap Const, Tech, Maint Fund	0	0	0	0
21 Food Service Spec Revenue Fund	45,935	100,507	45,938	20,504
22 Food Disputed Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Attendance Mid-Low Override	0	0	0	0
25 Transportation Fund	0	0	0	0
41 Bond Redemption Fund	0	0	0	0
69 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 District Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	125,100	75	100,200	24,955
36 Supplemental Cap Const, Tech, Maint Fund	0	0	0	0
Totals	510,909	2,706,181	2,593,646	1,023,644
Proprietary				
30 Other Receipts of Funds	0	0	0	0
64.963 Risk-Related Activity Fund	0	0	0	0
60.63.49 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
26 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	27,773	76,653	73,051	31,375
79 GASB 54 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	27,773	76,653	73,051	31,375

FINAL