

HANOVER SCHOOL DISTRICT NO. 28
EL PASO COUNTY, COLORADO
BASIC FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2017



RECEIVED

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HANOVER SCHOOL DISTRICT NO. 28
COMPREHENSIVE ANNUAL FINANCIAL REPORT

JUNE 30, 2017

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INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the governmental activities, each major fund, of the Hanover School District No. 28, El Paso County, Colorado (the District) as of and for the year ended June 30, 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.

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund of the District as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of the District's proportionate share of the net pension liability, the schedule of contributions and related ratios, and budgetary comparison information shown as required supplementary information in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted principally of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other supplementary information and Colorado Department of Education Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Colorado Springs, Colorado
November 30, 2017

A handwritten signature in black ink, appearing to read 'M. J. O'Connell', is written over the printed name 'M. J. O'CONNELL'.

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

HANOVER SCHOOL DISTRICT No. 28

Management's Discussion and Analysis 2016-2017

As management of the Hanover School District No. 28, we offer readers of the District's Comprehensive Annual Financial Report this narrative and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here.

Financial Highlights

- The primary government has government-wide net position (deficit) totaling \$(3,052,842) at the end of the current fiscal year.
- Governmental activities have unrestricted (deficit) net position of \$(6,637,402).
- Fund balance of the District's governmental funds increased by \$34,968 in 2016-2017.
- The Districts' long-term obligation debt decreased \$610,000 to \$4,720,000.

Overview of the Financial Statements

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

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers a broad overview of Hanover School District No. 28's financial activities in a manner similar to a private sector business.

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Government-wide Financial Analysis

Government-wide Net Position

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

The liabilities of the District exceed assets by \$3,052,842. The only significant liabilities the district had in 2016-2017 school year is accounts payable of \$118,053, accrued salaries and benefits for teachers of \$232,473, accrued compensated absences of \$33,047 for employees and short and long-term general obligation bonds payable and bank notes payable of \$4,832,072. In addition, due to the implementation of GASB 68/71, the District recorded a net pension liability \$10,222,276, deferred outflows \$3,475,116 and deferred inflows of \$281,176.

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Condensed Statement of Net Position

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total School District</u>		<u>Total % Change</u> <u>2017-2016</u>
	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	
Assets							
Current	\$ 1,674,025	\$ 1,693,747	\$ -	\$ -	\$ 1,674,025	\$ 1,693,747	
Capital/Net Depreciation	\$ 7,827,466	\$ 7,509,271	\$ -	\$ -	\$ 7,827,466	\$ 7,509,271	
Total Assets	\$ 9,501,491	\$ 9,203,018	\$ -	\$ -	\$ 9,501,491	\$ 9,203,018	3.2%
Deferred Outflows or Resources							
	\$ 816,783	\$ 3,475,116	\$ -	\$ -	\$ 816,783	\$ 3,475,116	
Liabilities							
Current	\$ 1,040,472	\$ 1,044,089	\$ -	\$ -	\$ 1,040,472	\$ 1,044,089	
Non-current Liabilities	\$ 10,029,112	\$ 14,405,711	\$ -	\$ -	\$ 10,029,112	\$ 14,405,711	
Total Liabilities	\$ 11,069,584	\$ 15,449,800	\$ -	\$ -	\$ 11,069,584	\$ 15,449,800	-28.4%
Deferred Inflows of Resources							
	\$ 406,565	\$ 281,176	\$ -	\$ -	\$ 406,565	\$ 281,176	
Net Position							
Invested in Capital, Net	\$ 2,411,298	\$ 2,665,320	\$ -	\$ -	\$ 2,411,298	\$ 2,665,320	
Restricted	\$ 851,450	\$ 919,240	\$ -	\$ -	\$ 851,450	\$ 919,240	
Unrestricted (deficit)	\$ (4,420,623)	\$ (6,637,402)	\$ -	\$ -	\$ (4,420,623)	\$ (6,637,402)	

The major change in the net position from 2015-16 to 2016-17 is depreciation expense, purchase of fixed assets, principal debt reduction, accrued interest expense, deferred outflows/inflows of resources and the net pension liability.

Net Position 2016-2017

	Governmental	Business-Type	Total
Total Liabilities, Deferred Inflows and Net Position	\$ 12,678,134	\$ 0	\$ 12,678,134

Net Position 2015-2016

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

Government Activities/Business Type:

The governmental activities decreased the net position of the District by (\$1,894,967) during the current fiscal year ended June 30, 2017.

	Governmental	Business-Type	Total
Net position July 1, 2016	\$(1,157,875)	\$ -	\$(1,157,875)
Net position June 30, 2017	\$(3,052,842)	\$ -	\$(3,052,842)

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

	Governmental Activities	
	2017	2016
Charges for services	\$ 53,962	\$ 76,795
Operating and capital grants and contributions	375,239	417,455
General revenues:		
Property taxes	1,079,484	1,081,131
Specific ownership taxes	143,250	128,265
State Equalization	2,480,861	2,414,245
Interest and other sources	74,433	219,482
Total Revenues	4,207,229	4,337,373
Expenses:		
Instruction/Co-curricular	3,194,998	1,782,130
Support services	2,430,595	1,581,168
Debt service – interest	135,461	152,147
Facilities construction	-	-
Food services	341,142	189,508
Total Expenses	6,102,196	3,704,953
 Change in Net Position	 (1,894,967)	 632,420
Net Position – Beginning,	(1,157,875)	(1,790,295)
Net Position – Ending	\$ (3,052,842)	\$ (1,157,875)

Financial Analysis of the Government's Funds

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

The General Fund is the primary major governmental fund (General Fund, Food Service Fund, Debt Service Fund, Pupil Activity Fund, Designated Purpose Grants Fund and Capital Projects Fund) for Hanover School District No. 28. The ending fund balance for the General Fund 2016-2017 is \$300,184 + Tabor and CPP reserves = \$421,521. The fund balance decreased (\$58,367) for 2016-2017.

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

The Pupil Activity Fund balance was decreased by (\$5,398). The decrease is attributable to lowered student fundraising efforts since this is the fund where all individual class fundraising is managed.

The Debt Service Fund balance was increased by \$47,946 over 2016-2017.

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The Food Service fund is funded by the sale of lunches and monies from the federal lunch, breakfast and summer programs. The General Fund supports the lunch fund, which required a transfer of \$115,557 for FY 2016-2017.

General Fund Budgetary Highlights

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

Hanover School District No. 28 began budget development for the 2016-2017 budgets in February of 2016. In February all teaching staff and department heads are given budget request for their input into the needs of the District.

A mid-year analysis for 2016-2017 is completed in early March and enrollment projections and revenues estimated to begin a preliminary budget, which is submitted in first draft form to the Board of Education. The Accountability Committee, representing students, staff and citizens of the community review the budget prior to a Budget Workshop held in May. The Board has budget discussion on the draft proposed budget in April, May, and June. Once the initial budget is prepared two community meetings are held to provide input and feedback to the district. The budget is also posted by line item on the district website for all community members to review. Community members are asked to provide input and feedback on the website. Adoption of the 2016-2017 District budget occurred on or before June 22, 2016.

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

The 2016-2017 budgets included the following:

- The District purchase of some energy saving equipment for district schools in the amount of \$60,300.
- Title I to provide additional support to students.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$7,509,271. Additional information on the District's capital assets can be found in the notes of the Basic Financial Statements.

The District has General Obligations Bonds of \$4,720,000. Principal amounts retired during the year amounted to \$610,000.

The District has two bank notes payable to the Kansas Bank of Manhattan one, in the amount of \$28,888 and two, in the amount of \$22,884 for the purchase of two small buses. Principal and interest payments for one are due in June and the other are due in September of each year.

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The District has a bank note payable to Farmers State Bank of Calhan in the amount of \$60,300 for the purchase of energy savings equipment installed at Prairie Heights Elementary.

Due to the implementation of Governmental Accounting Standards Board (GASB) 68 and 71, the District has recorded a net pension liability of \$10,222,276 as of June 30, 2017. The balance at June 30, 2016 was \$5,257,051, an increase of \$4,965,225. The reason for this increase in the net pension liability is PERA made two adjustments to the forecast of the future net pension liability.

Economic Factors and Next Year's Budgets

Overall school budgets have decreased since 2009 in the state of Colorado due to the recession and the addition of a "negative factor" put in place by the state of Colorado in 2009. Over the past eight years the district has seen a significant drop in funding from the state as a result of these funds being taken back out of the schools – approximately \$2.8 million of lower funding. The residential and commercial property values in the school district are very low resulting in the District relying on the state to fund 87% of the District's annual budget. For the 2016-17 school year the assessed valuation of all properties in the District remained flat.

Contacting the District's Financial Management

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

**BASIC FINANCIAL
STATEMENTS**

Hanover School District No. 28
Statement of Net Position
June 30, 2017

	Primary Governmental Governmental Activities
Assets	
Current assets:	
Cash and cash equivalents	\$ 282,629
Cash and cash equivalents - restricted	745,978
Cash with county treasurer	17,571
Investments	622,569
Property taxes receivable	19,090
Grants receivable	-
Inventories	5,910
Capital assets:	
Land and construction in progress	227,585
Depreciable assets	13,785,537
Accumulated depreciation	(6,503,851)
Capital assets, net of depreciation	7,509,271
Total assets	9,203,018
Deferred outflows of resources: See note 6	3,475,116
Liabilities	
Current liabilities:	
Deficit cash	-
Accounts payable	118,053
Accrued salaries and benefits	232,473
Accrued compensated absences	33,047
Accrued interest payable	11,879
Bank loan payable-current	23,637
General obligation bonds payable-current	625,000
Total current liabilities	1,044,089
Noncurrent liabilities:	
Net pension liability	10,222,276
Bank loan payable	88,435
General obligation bonds payable	4,095,000
Total noncurrent liabilities	14,405,711
Total liabilities	15,449,800
Deferred inflows of resources: See note 6	281,176
Net position	
Invested in capital assets, net of related debt	2,665,320
Restricted for:	
Debt service	797,903
TABOR	99,000
Colorado preschool program reserve	22,337
Unrestricted (deficit)	(6,637,402)
Total net position	\$ (3,052,842)

The accompanying notes are an integral part of this financial statement

Hanover School District No. 28
Balance Sheet
Governmental Funds
June 30, 2017

	General Fund	Food Service Fund	Pupil Activity Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 183,123	\$ 78,261	\$ 21,245	\$ -	\$ -	\$ 282,629
Cash and cash equivalents - restricted	-	-	-	745,978	-	745,978
Cash with county treasurer	14,807	-	-	2,764	-	17,571
Investments	586,619	-	-	35,950	-	622,569
Property taxes receivable	5,879	-	-	13,211	-	19,090
Grants receivable	-	-	-	-	-	-
Inventories	-	5,910	-	-	-	5,910
Total Assets	\$ 790,428	\$ 84,171	\$ 21,245	\$ 797,903	\$ -	\$ 1,693,747

Liabilities and Fund Balances

Liabilities:						
Deficit cash	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	114,254	361	3,438	-	-	118,053
Accrued salaries and benefits	223,215	9,258	-	-	-	232,473
Accrued compensated absences	31,438	1,609	-	-	-	33,047
Total liabilities	\$ 368,907	\$ 11,228	\$ 3,438	\$ -	\$ -	\$ 383,573

Fund Balances:

Non-spendable: Inventories	-	5,910	-	-	-	5,910
Spendable, reported in:						
Restricted fund balances:						
TABOR	99,000	-	-	-	-	99,000
Debt service	-	-	-	797,903	-	797,903
Colorado preschool program reserve	22,337	-	-	-	-	22,337
Committed fund balances:						
Special revenue funds	-	67,033	17,807	-	-	84,840
Capital project fund	-	-	-	-	-	-
Unassigned fund balance:						
General fund	300,184	-	-	-	-	300,184
Total fund balances	421,521	72,943	17,807	797,903	-	1,310,174
Total Liabilities and Fund Balances	\$ 790,428	\$ 84,171	\$ 21,245	\$ 797,903	\$ -	\$ 1,693,747

Hanover School District No. 28
Reconciliation of Governmental Funds Balance Sheet To
Statement of Net Position
June 30, 2017

Governmental funds total fund balances	\$	1,310,174
Add:		
Capital assets used in government activities are not considered current financial resources and, therefore, not reported in the governmental funds. reported in the governmental funds.		14,013,122
Deferred outflows from pension liability - see note 6		3,475,116
Deduct:		
Accumulated depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.		(6,503,851)
Long-term liabilities for general obligation debt (\$7,380,000 from series 2010 refunding) are not due and payable in the current period and, therefore, not reported in the funds. reported in the funds.		(4,720,000)
Deferred inflows from pension liability - see note 6		(281,176)
Net pension liability		(10,222,276)
Bank notes payable		(112,072)
Accrued interest payable		(11,879)
Government activities net position	<u>\$</u>	<u>(3,052,842)</u>

The accompanying notes are an integral part of this financial statement

Hanover School District No. 28
Statement of Revenues, Expenditures and Changes
in Fund Balances - Governmental Funds
Fiscal year ended June 30, 2017

	General Fund	Food Service Fund	Pupil Activity Fund	Debt Service Fund	Capital Project Fund	Total Governmental Funds
Revenues						
Local sources	\$ 552,990	\$ 23,288	\$ 31,194	\$ 742,587	\$ 1,070	\$ 1,351,129
State sources	2,631,589	3,562	-	-	-	2,635,151
Federal sources	89,478	131,471	-	-	-	220,949
Total revenues	3,274,057	158,321	31,194	742,587	1,070	4,207,229
Expenditures						
Current:						
Regular instruction	1,449,036	-	-	-	-	1,449,036
Cocurricular activities	94,264	-	49,631	-	-	143,895
Student services	50,451	-	-	-	-	50,451
Instructional staff	31,336	-	-	-	-	31,336
General administration	187,785	-	-	-	-	187,785
School administration	120,477	-	-	-	-	120,477
Support services - business	50,652	-	-	-	-	50,652
Operations and maintenance	471,298	-	-	-	60,370	531,668
Student transportation	324,908	-	-	-	-	324,908
Support services - central	111,533	-	-	557	-	112,090
Food service operations	-	223,091	-	-	-	223,091
Pikes Peak BOCES	241,648	-	-	-	-	241,648
District-wide facility acquisitions	-	-	-	-	-	-
Debt service:						
Principal retirements	-	-	-	610,000	20,063	630,063
Interest and fiscal charges	-	-	-	133,400	2,061	135,461
Total expenditures	3,133,388	223,091	49,631	743,957	82,494	4,232,561
Excess(deficiency) of revenues over(under)						
Expenditures	140,669	(64,770)	(18,437)	(1,370)	(81,424)	(25,332)
Other financing sources (uses)						
Proceeds from issuance of bank loan	-	-	-	-	60,300	60,300
Transfer in	-	115,557	13,039	49,316	21,124	199,036
Transfer (out)	(199,036)	-	-	-	-	(199,036)
Total other financing sources (uses)	(199,036)	115,557	13,039	49,316	81,424	60,300
Net change in fund balances	(58,367)	50,787	(5,398)	47,946	-	34,968
Fund balances at beginning of year	479,888	22,156	23,205	749,957	-	1,275,206
Fund balances at end of year	\$ 421,521	\$ 72,943	\$ 17,807	\$ 797,903	\$ -	\$ 1,310,174

Hanover School District No. 28
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2017

Governmental funds changes in fund balances	\$	34,968
Add:		
Government funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		-
Principal retirement of District's long-term debt results in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these reductions against the long-term liabilities.		630,063
Deduct:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(318,195)
Government funds report pension expenses as expenditures when paid. Pension obligations in the statement of activities is allocated and expensed for future pension costs.		(2,181,503)
The issuance of long-term debt provides current financial resources to governmental funds - debt issued or incurred:		
Change in accrued interest payable		-
Proceeds from issuance of bank note payable		(60,300)
Governmental activities change in net position	<u>\$</u>	<u>(1,894,967)</u>

The accompanying notes are an integral part of this financial statement

HANOVER SCHOOL DISTRICT NO. 28
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

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

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

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

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

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

Fund Accounting

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

• Major Governmental Funds

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

Cash and Cash Equivalents

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

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. No amounts were determined to be uncollectable at June 30, 2017. Property taxes levied in the current year but not received at year-end are identified as property taxes receivable and are presented net of an allowance for uncollectable taxes.

Investments

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

Inventories

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

Deferred Outflows/Inflows of Resources

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

Capital Assets

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

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

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

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

Liabilities

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

Compensated Absences

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

Budgets and Budgeting Accounting

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

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

Fund Equity

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

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

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

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

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

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

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

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

Restricted for Debt Service – These reserves are established for amounts set aside for payments of principal and interest on the bonds payable. Recorded reserves at June 30, 2017 are \$797,903.

Net Position

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

Accounting Estimates

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

Note 2 - **Deposits and Investments**

Deposits

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

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

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. At year-end the District's bank balance was \$1,054,983. Of the bank balance, \$559,005 was covered by FDIC insurance, and \$495,978 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA. The District's carrying balance as of June 30, 2017 was \$1,028,607 of which \$745,978 is restricted within the Debt Service Fund for future debt service requirements. The difference between the District's carrying balance and bank balance is outstanding checks and deposits in transit.

Investments

The District had invested \$622,569 (fair value) in the Colorado Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. Colotrust operates similarly to a money market fund and each share is equal in value to \$1.00. The Colorado Division of

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

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

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

Note 3 - Property Tax

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

Note 4 - Capital Assets

A summary of changes in capital assets follows:

<u>Governmental Activities</u>				
	<u>Balance</u> <u>July 1,2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2017</u>
Non-depreciable assets:				
Land	\$ 227,585	\$ -	\$ -	\$ 227,585
Construction	-	-	-	-
Total Non-depreciable	<u>\$ 227,585</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 227,585</u>

	<u>Balance</u> <u>July 1,2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30,2017</u>
Depreciable Assets:				
Buildings & Sites	\$ 11,977,281	\$ -	\$ -	\$ 11,977,281
Equipment Furniture And Fixtures	1,093,152	-	-	1,093,152
Vehicles	<u>715,104</u>	<u>-</u>	<u>-</u>	<u>715,104</u>
Total Depreciable Assets	<u>\$ 13,785,537</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,785,537</u>
Less accumulated depreciation for:				
Buildings & Sites	\$ 4,651,915	\$ 257,102	\$ -	\$ 4,909,017
Equipment Furniture And Fixtures	901,254	48,408	-	949,662
Vehicles	<u>632,487</u>	<u>12,685</u>	<u>-</u>	<u>645,172</u>
Total Accumulated Depreciation	<u>\$ 6,185,656</u>	<u>\$ 318,195</u>	<u>\$ -</u>	<u>\$ 6,503,851</u>
Total Capital Assets, Net	<u>\$ 7,827,466</u>	<u>\$ 318,195</u>	<u>\$ -</u>	<u>\$ 7,509,271</u>

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

Governmental activities:

Regular instruction \$ 318,195

Note 5 - **Long-Term Debt**

The following is a summary of long-term debt:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2017</u>
G.O.Refunding Bonds-2010	\$ 5,330,000	\$ -	\$ 610,000	\$ 4,720,000
Totals G.O Bonds	<u>5,330,000</u>	<u>-</u>	<u>610,000</u>	<u>4,720,000</u>
BankNotePayable	<u>71,835</u>	<u>60,300</u>	<u>20,063</u>	<u>112,072</u>
Total Long-Term Debt	<u>\$ 6,401,835</u>	<u>\$ 60,300</u>	<u>\$ 630,063</u>	<u>\$ 4,832,072</u>
Amount of General Obligation Bonds due within one year				<u>\$ 625,000</u>
Amount of Bank Loan Payable due within one year				<u>\$ 23,637</u>

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 625,000	\$ 118,000	\$ 743,000
2019	645,000	104,494	749,494
2020	655,000	89,050	744,050
2021	670,000	72,069	742,069
2022	690,000	53,788	743,788
2023-2024	<u>1,435,000</u>	<u>44,924</u>	<u>1,479,924</u>
Total	<u>\$ 4,720,000</u>	<u>\$ 482,325</u>	<u>\$ 5,202,325</u>

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 9,344	\$ 872	\$ 10,216
2019	9,626	590	10,216
2020	<u>9,918</u>	<u>298</u>	<u>10,216</u>
Total	<u>\$ 28,888</u>	<u>\$ 1,760</u>	<u>\$ 30,648</u>

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 11,290	\$ 618	\$ 11,908
2019	<u>11,594</u>	<u>313</u>	<u>11,907</u>
Total	<u>\$ 22,884</u>	<u>\$ 931</u>	<u>\$ 23,815</u>

In August of 2016, the District borrowed \$60,300 from the Farmers State Bank of Calhan to purchase energy savings equipment. Principal and interest payments are due annually on August 3, through 2031, with interest accruing at a rate of 4.00%.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 3,003	\$ 2,412	\$ 5,415
2019	3,123	2,292	5,415
2020	3,248	2,167	5,415
2021	3,378	2,037	5,415
2022	3,513	1,902	5,415
2023	3,654	1,761	5,415
2024-2031	<u>40,381</u>	<u>8,524</u>	<u>48,905</u>
Total	<u>\$ 60,300</u>	<u>\$ 21,095</u>	<u>\$ 81,395</u>

Note 6 - **Defined Benefit Pension Plan**

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.
- The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:
- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
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. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF ¹	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$293,385 for the year ended June 30, 2017.

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

At June 30, 2017 the District reported a liability of \$10,222,276 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 proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District proportion was 0.0343330482%, which was a decrease of 0.0000395769 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$2,181,503. At June 30, 2017, 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	\$ 174,081	\$ 46,286
Changes of assumptions or other inputs	\$ 2,361,032	\$ -
Net difference between projected and actual earnings on pension plan investments	\$ 787,481	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ -	\$ 234,890
Contributions subsequent to the measurement date	\$ 152,522	N/A
Total	\$ 3,475,116	\$ 281,176

\$152,522 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017:	
June 30, 2018	\$ 1,072,630
June 30, 2019	\$ 1,101,688
June 30, 2020	\$ 652,542
June 30, 2021	\$ 214,558
June 30, 2022	\$ -
Thereafter	\$ -

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50percent
Future post-retirement benefit increases:	

PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by the 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
Future post-retirement benefit increases: PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuations 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 for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and females) was assumed

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.

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 18, 2016, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	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 US Fixed	1.84%	0.60%
Emerging Market Bonds	0.46%	3.90%
Real Estate	8.50%	4.90%
Opportunity Fund	6.0%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

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 estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50%

every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

Based on the above 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 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 (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$12,854,183	\$10,222,276	\$8,078,683

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.

Note 7 - Post-employment Healthcare Benefits

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

Funding Policy. The Hanover School District No. 28 is required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Hanover School District No. 28 are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the health care fund is established under Title 24, Article 51, Section 208 of the Colorado Revised Statutes, as amended. The Hanover School District No. 28’s contributions to HCF for the years ending June 30, 2017, 2016 and 2015 were \$16,276, \$15,092 and \$14,082, respectively, equal to their required contributions for each year.

Note 8 - Defined Contribution Pension Plan

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

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 in 2017 and \$18,000 in 2016). Beginning January 1, 2001, an employer match was legislated, which would match 100% of a

member's eligible tax deferred retirement program contributions limited by 3.0% in 2002, 2.0% in 2003 and 1.0% in 2004 per payroll of the PERA-includable salary. Effective July 1, 2004, the State Legislature rescinded the matchmaking provision of this plan. The 401(k) Plan member contributions from the District for the year ended June 30, 2017 were \$6,485. There were no employer contributions to the 401(k) Plan from the District for the year ended June 30, 2017.

Note 9 - **Joint Ventures**

The District participates in with the Pikes Peak Board of Cooperative Educational Services (BOCES). The District has one member on the Board, which is selected by participating districts. This Board has final authority for all budgeting and financing of the joint venture. The District's June 30, 2017 contribution amounted to \$241,648. The District's share of annual contributions to the joint venture was approximately 8% for the year ended June 30, 2017. Complete financial statements for BOCES can be obtained at their administrative offices at 2883 South Circle Drive, Colorado Springs, Colorado 80906.

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

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

Note 11- **Risk Management**

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

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

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

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

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

The District is exposed to various risks of loss related to torts, thefts of damage to, or destruction of assets; errors or omissions; injuries to volunteers; or acts of God. The District maintains commercial insurance coverage for general liability, workers compensation, property, vehicle damage and liability, umbrella, management liability

and public official bond. The District did not have any claim settlements in excess of coverage for the last three years.

Note 12 - Accrued Teachers' Salaries and Employee Benefits

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

Note 13 - Interfund Transactions

The following identifies cash transfers from the General Fund to the Food Service Fund and Pupil Activity Fund at June 30, 2017:

<u>Fund</u>	<u>Transfer from</u>	<u>Transfer to</u>
General Fund	\$ 199,036	
Food Service Fund		\$ 115,557
Pupil Activity Fund		\$ 13,039
Debt Service Fund		\$ 49,316
Capital Project Fund		\$ 21,124

Note 14 - Operating Leases

The District entered into an operating lease with *Key Equipment and Leaf Financial* for copiers. Monthly rentals are \$477. Lease expense as of June 30, 2017 was \$5,724. The minimum annual rental commitments under these leases are as follows:

Year ended June 30:	
2018	5,724
2019	5,724
2020	5,724
2021	5,724
2022	<u>2,862</u>
Total	<u>\$ 25,758</u>

Note 15 - Tax, Spending, and Debt Limitations

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

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

On November 7, 2000, the voters of the district approved a referendum for Hanover School District No. 28. The voters authorized the district to collect, retain and expend

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

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary and fringe benefit increases. These reserves are to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2017, for budgetary purposes the District reserved \$99,000 in the General Fund.

Note 16- Evaluation of Subsequent Events

The District's management has evaluated subsequent events through November 30, 2017 (the date of the financial statements were available to be issued). In July of 2017, the District borrowed \$90,000 from Farmers State Bank of Calhan for energy saving equipment. The annual payment of \$11,174 has an interest rate of 4.00% and paid annually for ten years.

Note 17- Contingencies

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

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

**REQUIRED
SUPPLEMENTARY
INFORMATION**

Hanover School District No. 28
General Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues				
Local sources				
Property taxes	\$ 353,521	\$ 368,285	\$ 340,299	\$ (27,986)
Specific ownership taxes	85,000	85,000	143,250	58,250
Delinquent taxes and interest	150	150	773	623
Other local sources	31,470	34,570	66,147	31,577
Interest on investments	80	80	2,521	2,441
Total local sources	<u>470,221</u>	<u>488,085</u>	<u>552,990</u>	<u>64,905</u>
State sources				
State equalization	2,369,917	2,466,888	2,480,861	13,973
Transportation	79,500	79,500	74,630	(4,870)
Other state sources	68,051	118,252	76,098	(42,154)
Total state sources	<u>2,517,468</u>	<u>2,664,640</u>	<u>2,631,589</u>	<u>(33,051)</u>
Federal sources				
Title I grant	38,682	38,682	42,246	3,564
Reap revenue	7,000	7,000	7,380	380
Other federal grants	6,445	6,445	39,852	33,407
Total federal sources	<u>52,127</u>	<u>52,127</u>	<u>89,478</u>	<u>37,351</u>
Total revenues	<u>3,039,816</u>	<u>3,204,852</u>	<u>3,274,057</u>	<u>69,205</u>
Expenditures				
Instruction and supporting services				
Regular instruction	1,320,729	1,393,113	1,449,036	(55,923)
Cocurricular activities	89,801	89,801	94,264	(4,463)
Student services	51,083	52,330	50,451	1,879
Instructional staff	29,318	29,550	31,336	(1,786)
General administration	190,979	201,579	187,785	13,794
School administration	119,089	121,562	120,477	1,085
Support services - business	40,857	49,949	50,652	(703)
Operations and maintenance	433,615	457,277	471,298	(14,021)
Student transportation	281,278	299,776	324,908	(25,132)
Support services - central	111,675	111,675	111,533	142
Facility acquisitions	-	-	-	-
Pikes Peak BOCES	136,000	136,000	241,648	(105,648)
Contingency	369,254	538,705	-	538,705
Total instruction and supporting services	<u>3,173,678</u>	<u>3,481,317</u>	<u>3,133,388</u>	<u>347,929</u>
Excess(deficiency) of revenues over expenditures	<u>(133,862)</u>	<u>(276,465)</u>	<u>140,669</u>	<u>417,134</u>
Other financing sources (uses)				
Transfer out	(208,200)	(210,916)	(199,036)	11,880
Total other financing sources (uses)	<u>(208,200)</u>	<u>(210,916)</u>	<u>(199,036)</u>	<u>11,880</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(342,062)</u>	<u>(487,381)</u>	<u>(58,367)</u>	<u>429,014</u>
Fund balances at beginning of year	342,062	487,381	479,888	(7,493)
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 421,521</u>	<u>\$ 421,521</u>

See the accompanying Independent Auditors' Report

Hanover School District No. 28
Food Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Food sales	\$ 16,900	\$ 16,900	\$ 22,768	\$ 5,868
Other local sources	-	-	520	520
Total local sources	<u>16,900</u>	<u>16,900</u>	<u>23,288</u>	<u>6,388</u>
State sources				
Other state sources	2,250	2,250	3,562	1,312
Total state sources	<u>2,250</u>	<u>2,250</u>	<u>3,562</u>	<u>1,312</u>
Federal sources				
National breakfast and lunch program	94,200	94,200	114,829	20,629
Other federal grants	-	-	16,642	16,642
Total federal sources	<u>94,200</u>	<u>94,200</u>	<u>131,471</u>	<u>37,271</u>
Total revenues	<u>113,350</u>	<u>113,350</u>	<u>158,321</u>	<u>44,971</u>
Expenditures				
Food service operations				
Salaries and benefits	106,951	112,746	117,726	(4,980)
Purchased food	86,800	86,800	100,629	(13,829)
Purchase services	7,125	6,825	2,640	4,185
Supplies	1,150	800	776	24
Other	800	3,650	1,320	2,330
Contingency	47,388	30,401	-	30,401
Total food service operations	<u>250,214</u>	<u>241,222</u>	<u>223,091</u>	<u>18,131</u>
Excess(deficiency) of revenues over expenditures	<u>(136,864)</u>	<u>(127,872)</u>	<u>(64,770)</u>	<u>63,102</u>
Other financing sources (uses)				
Transfer in	103,000	105,716	115,557	9,841
Total other financing sources (uses)	<u>103,000</u>	<u>105,716</u>	<u>115,557</u>	<u>9,841</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(33,864)</u>	<u>(22,156)</u>	<u>50,787</u>	<u>72,943</u>
Fund balances at beginning of year	33,864	22,156	22,156	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72,943</u>	<u>\$ 72,943</u>

See the accompanying Independent Auditors' Report

Hanover School District No. 28
Pupil Activity Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Fiscal Year Ended June 30, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Local sources				
Student activities	\$ 40,000	\$ 40,000	\$ 31,194	\$ (8,806)
Interest on investments	-	-	-	-
Total local sources	40,000	40,000	31,194	(8,806)
Expenditures				
Current:				
Cocurricular activities	72,200	72,200	49,631	22,569
Contingency	-	-	-	-
Total expenditures	72,200	72,200	49,631	22,569
Excess(deficiency) of revenues over expenditures	(32,200)	(32,200)	(18,437)	13,763
Other financing sources (uses)				
Transfer in	32,200	32,200	13,039	(19,161)
Transfer out	-	-	-	-
Total other financing sources (uses)	32,200	32,200	13,039	(19,161)
Excess (deficiency) of revenues over expenditures and other sources (uses)	-	-	(5,398)	(5,398)
Fund balances at beginning of year	25,709	23,205	23,205	-
Fund balances at end of year	\$ 25,709	\$ 23,205	\$ 17,807	\$ (5,398)

See the accompanying Independent Auditors' Report

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District' proportion (percentage) of the collective net pension liability	0.0343330482%	0.0343726251%	0.0374457479%
District's proportionate share of the collective pension liability	10,222,276	5,257,050	5,075,157
Employer's covered-employee payroll	1,540,928	1,497,960	1,568,709
District's proportionate share of the net pension liability as a percentage of it's employer's covered-employee payrol	15.07%	28.49%	30.91%
Plan fiduciary net pension as a percentage of the total pension liability	43.10%	59.20%	62.80%

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

See the accompanying Independent Auditors' Report

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
As of June 30,			
Statutorily required contributions	\$ 293,385	\$ 276,196	\$ 248,362
Contributions in relation to the statutorily required contributions	<u>293,385</u>	<u>276,196</u>	<u>248,362</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered-employee payroll	1,511,754	1,471,904	1,387,497
Contribution as a percentage of employer's covered-employee payroll	19.41%	18.76%	17.90%

See the accompanying Independent Auditors' Report

**OTHER SUPPLEMENTARY
INFORMATION**

Hanover School District No. 28
Debt Service Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Local sources				
Property taxes	\$ 776,000	\$ 708,732	\$ 739,185	\$ 30,453
Delinquent taxes and interest	-	-	1,595	1,595
Interest on investments	50	50	1,807	1,757
Total local sources	<u>776,050</u>	<u>708,782</u>	<u>742,587</u>	<u>33,805</u>
Expenditures				
Debt Service:				
Interest expense	133,400	133,400	133,400	-
Principal	610,000	610,000	610,000	-
Other	750	750	557	193
Contingency	882,970	764,589	-	764,589
Total debt service	<u>1,627,120</u>	<u>1,508,739</u>	<u>743,957</u>	<u>764,782</u>
Excess(deficiency) of revenues over expenditures	<u>(851,070)</u>	<u>(799,957)</u>	<u>(1,370)</u>	<u>798,587</u>
Other financing sources (uses)				
Transfer in	50,000	50,000	49,316	(684)
Premium on refunding bonds	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Total other financing sources (uses)	<u>50,000</u>	<u>50,000</u>	<u>49,316</u>	<u>(684)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>(801,070)</u>	<u>(749,957)</u>	<u>47,946</u>	<u>797,903</u>
Fund balances at beginning of year	801,070	749,957	749,957	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 797,903</u>	<u>\$ 797,903</u>

See the accompanying Independent Auditors' Report

Hanover School District No. 28
Capital Projects - Building Fund
Statement of Revenues, Expenditures and Changes in Fund Balance-Budget and Actual
Fiscal Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Other local sources	\$ -	\$ -	\$ 1,070	\$ 1,070
Interest on investments	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,070</u>	<u>1,070</u>
Expenditures				
Current:				
Supporting services	91,344	91,344	60,370	30,974
Debt service	23,000	23,000	22,124	876
Contingency	-	-	-	-
Total expenditures	<u>114,344</u>	<u>114,344</u>	<u>82,494</u>	<u>31,850</u>
Excess(deficiency) of revenues over expenditures	<u>(114,344)</u>	<u>(114,344)</u>	<u>(81,424)</u>	<u>32,920</u>
Other financing sources (uses)				
Proceeds from issuance of bank loan	91,344	91,344	60,300	(31,044)
Transfer in	23,000	23,000	21,124	(1,876)
Total other financing sources (uses)	<u>114,344</u>	<u>114,344</u>	<u>81,424</u>	<u>(32,920)</u>
Excess (deficiency) of revenues over expenditures and other sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances at beginning of year	-	-	-	-
Fund balances at end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report

COLORADO DEPARTMENT OF EDUCATION
AUDITOR'S INTEGRITY REPORT



Colorado Department of Education

Auditors Integrity Report

District: 1070 - HANOVER 28

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	=	5700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	472,395		2,989,581		3,062,793		399,183
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	7,493		85,438		76,594		22,337
Sub-Total	479,888		3,075,019		3,139,387		421,520
11 Charter School Fund	0		0		0		0
20.26-29 Special Revenue Fund	0		0		0		0
06 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
21 Food Service Spec. Revenue Fund	22,156		272,078		223,091		71,943
22 Govt Designated-Purpose Grants Fund	0		0		0		0
23 Pupil Activity Special Revenue Fund	23,205		44,234		49,631		17,808
24 Full Day Minuteman Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	749,557		791,902		745,957		797,902
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	0		0		0		0
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	0		32,494		82,494		0
46 Supplemental Cap Const, Tech, Main Fund	0		0		0		0
Total	1,275,206		4,267,527		4,232,560		1,310,173
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64.631 Back-Related Activity Fund	0		0		0		0
69.65.49 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	0		0		0		0
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	0		0		0		0
79 GASB 34 Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Total	0		0		0		0

FINAL