

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

HUERFANO SCHOOL

DISTRICT NUMBER RE-1

WALSENBURG, COLORADO

FINANCIAL STATEMENTS

JUNE 30, 2017

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

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FINANCIAL STATEMENTS  
JUNE 30, 2017**

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**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
ROSTER OF SCHOOL OFFICIALS  
June 30, 2017**

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**BOARD OF EDUCATION**

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

**SCHOOL OFFICIALS**

<b>Michael Moore</b>	<b>Superintendent</b>
<b>Karen Cordova</b>	<b>Business Manager</b>

**FINANCIAL SECTION**

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

**INDEPENDENT AUDITOR'S REPORT**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Huerfano School District Number RE-1, as of and for the year ended June 30, 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**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Huerfano School District Number RE-1, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and pension trend data on pages i through xiii and 37 through 41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Huerfano School District Number RE-1's basic financial statements. The combining and individual fund financial statements, other schedules, and state required schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

*Sifon, Waller & Co., Inc.*

November 30, 2017

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FY 2016-17**

This section of the Huerfano School District RE-1's annual financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

**Financial Highlights**

- Revenues totaled \$6,298,966 for 2016-17 compared to \$5,881,885 the prior year. General revenues, primarily property taxes and state equalization payments, account for approximately \$5.308 million or 84.3 percent of all revenues. Program specific revenues for services, grants, and contributions totaled \$991,177 compared to \$1,150,378 the prior year.
- The District had \$8,844,436 in expenses related to governmental activities compared to \$6,113,358 the prior year. Program specific charges for services, grants and contributions totaling \$991,177 were offset against the expenses leaving \$7,853,259 to be funded by other general revenues related to governmental activities.
- The District's General Fund, which includes Fund 10/General Fund, and Fund 19/CPP, started the fiscal year with a fund balance of \$1,897,156. After revenues of \$5,159,589 and program expenditures and transfers totaling \$4,801,912 the ending fund balance at June 30, 2017 was \$2,254,833.
- The Capital Projects Fund had a beginning fund balance of \$309,057. Total revenues of \$1,062 were comprised of interest earned on investments. Other sources included a transfer from the general fund totaling \$192,000. Expenditures totaled \$119,116 including \$42,050 for capital outlay and principal and interest paid on a capital lease totaling \$77,066 leaving an ending fund balance of \$383,003.
- The Bond Redemption Fund had a beginning fund balance of \$673,864. Revenues, primarily from property taxes, totaled \$419,105 of which \$415,556 was used to pay principal, interest, and fiscal charges related to the Series 2002 Bonds. The ending fund balance in the Bond Redemption Fund decreased to \$677,413.

- Government Designated Purpose Grants accounted for \$439,432 of the revenue and expenditures related to governmental activities compared to \$506,171 the prior year.
- Non-major governmental funds include student activities with a beginning fund balance of \$64,499 and food services with a beginning fund balance of \$97,029. Revenues totaled \$474,383 including transfers from the general fund totaling \$71,200. After expenditures of \$524,385 the ending fund balances totaled \$8,887 for student activities and \$102,639 for food services.

### **Overview of the Financial Statements**

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

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

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

### **Government-wide Statements**

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

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

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

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

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

## **Fund Financial Statements**

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

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

Huerfano School District RE-1 maintains six governmental funds: General Fund including a sub-fund for the Colorado Preschool Program, Food Service, Government Designated Grants, Student Activity, Bond Redemption, and Capital Projects. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these funds. Supplementary information includes budget-to-actual information for all government funds as required by State law. The basic governmental fund financial statements can be found on pages 5 through 8 of the audited financial statements.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements can be found on pages 9 through 36.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information starting on page 37. This includes budget-to-actual information for all funds as dictated by State law.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

All financial activities of the District are reported on the accrual basis of accounting. This section explains the differences between the current and prior year's assets, liabilities, and changes in the net position. The table below provides a comparison of the District's net position as of June 30, 2017 to June 30, 2016.

### Huerfano School District RE-1 Condensed Statement of Net Position

	6/30/2017 Governmental Activities	6/30/2016 Governmental Activities	Net Change
<b>ASSETS</b>			
Current & Other Assets	\$ 4,049,084	\$ 4,007,172	\$ 41,912
Capital Assets	\$ 11,731,323	\$ 12,169,805	\$ (438,482)
<b>Total Assets</b>	<b>\$ 15,780,407</b>	<b>\$ 16,176,977</b>	<b>\$ (396,570)</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Bond Refunding	\$ 75,822	\$ 100,607	\$ (24,785)
Pension Cost - Subsequent Contributions	\$ 284,625	\$ 265,304	\$ 19,321
Pension Cost - Investment Change	\$ 6,967,550	\$ 972,895	\$ 5,994,655
<b>Total Deferred Outflows of Resources</b>	<b>\$ 7,327,997</b>	<b>\$ 1,338,806</b>	<b>\$ 5,989,191</b>
Current Liabilities	\$ 898,965	\$ 1,169,879	\$ (270,914)
Non-Current Liabilities	\$ 20,808,871	\$ 12,286,258	\$ 8,522,613
<b>Total Liabilities</b>	<b>\$ 21,707,836</b>	<b>\$ 13,456,137</b>	<b>\$ 8,251,699</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Earnings	\$ 577,502	\$ 691,110	\$ (113,608)
<b>Net Position</b>			
Net Investment in Capital Assets	\$ 9,501,323	\$ 9,529,802	\$ (28,479)
Restricted For:			
TABOR	\$ 160,850	\$ 138,300	\$ 22,550
Preschool	\$ 20,758	\$ -	\$ 20,758
Debt	\$ 677,413	\$ 673,864	\$ 3,549
Food Service	\$ 102,639	\$ 97,029	\$ 5,610
Unrestricted	\$ (9,639,917)	\$ (7,070,459)	\$(2,569,458)
<b>Total Net Position</b>	<b>\$ 823,066</b>	<b>\$ 3,368,536</b>	<b>\$(2,545,470)</b>

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

Current Assets increased by \$41,912 primarily due to increase in cash and investment balances at year end and an increase in taxes receivable. Capital Assets decreased by \$438,482 due to the net effect of capital asset additions offset by depreciation.

Total Liabilities increased by \$8,251,699 primarily due to the increase of \$8,906,006 in Net Pension Obligation offset by the \$215,380 decrease of grant revenue received during the current year but not spent by June 30, 2017, the payment of principal on general obligation bonds in the amount of \$335,000 and the payment of the outstanding balance for the capital lease agreement for the purchase of computer hardware of \$75,003.

Net position decreased \$2,545,470 primarily due to the increase in pension expense recorded.

## Changes in Net Assets

The District's Governmental Activities are reported on the accrual basis of accounting. The Condensed State of Changes in Net Position provides a summary of the changes in Net Position and comparison of revenues and expenditures from FY 2016-17 to FY 2015-16.

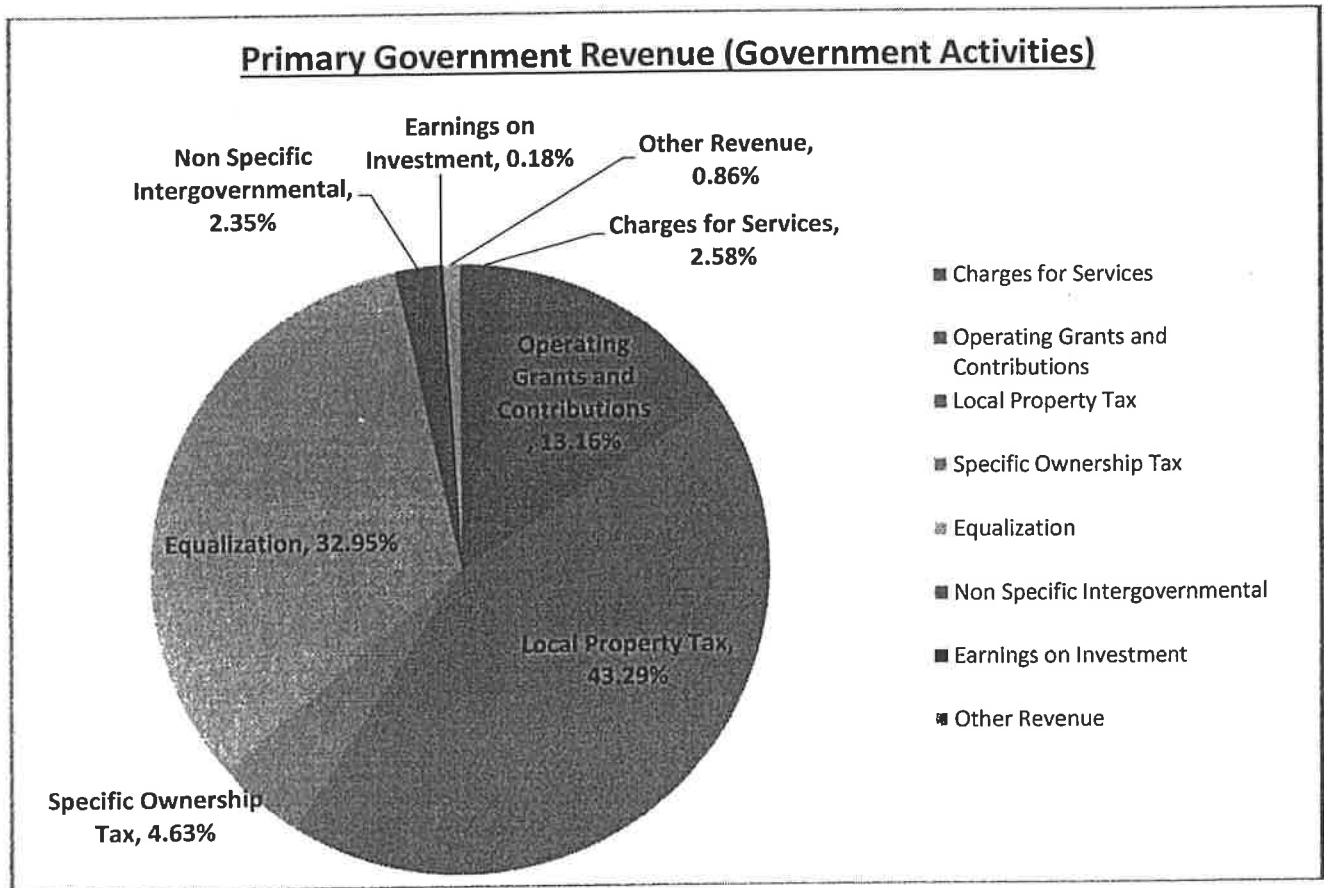
### Huerfano School District RE-1 Condensed Statement of Changes in Net Position

	6/30/2017 Governmental Activities	6/30/2016 Governmental Activities	Net Change
<b>Program Revenues</b>			
Charges for Services	\$ 162,450	\$ 150,774	\$ 11,676
Operating Grants & Contributions	\$ 828,727	\$ 999,604	\$ (170,877)
Capital Grants & Contributions	\$ -	\$ -	\$ -
<b>General Revenues</b>			
Property Taxes	\$ 2,726,947	\$ 2,620,032	\$ 106,915
Specific Ownership Taxes	\$ 291,750	\$ 282,592	\$ 9,158
Non Specific Intergovernmental	\$ 148,040	\$ -	\$ 148,040
School Finance Act (Equalization)	\$ 2,075,568	\$ 1,787,629	\$ 287,939
Earnings on Investments	\$ 11,101	\$ 3,788	\$ 7,313
Other Revenue	\$ 54,383	\$ 37,466	\$ 16,917
Total General Revenues	\$ 5,307,789	\$ 4,731,507	\$ 576,282
<b>Total Revenues</b>	<b>\$ 6,298,966</b>	<b>\$ 5,881,885</b>	<b>\$ 417,081</b>
<b>Expenses</b>			
Instruction	\$ 3,334,602	\$ 3,164,621	\$ 169,981
Student Support	\$ 161,662	\$ 105,001	\$ 56,661
Instructional Staff	\$ 137,271	\$ 178,644	\$ (41,373)
General Administration	\$ 233,864	\$ 241,731	\$ (7,867)
School Administration	\$ 425,356	\$ 429,579	\$ (4,223)
Business Support	\$ 207,747	\$ 198,533	\$ 9,214
Operations & Maintenance	\$ 595,501	\$ 581,506	\$ 13,995
Student Transportation	\$ 263,174	\$ 225,812	\$ 37,362
Central Support	\$ 158,180	\$ 306,143	\$ (147,963)
Other Support	\$ 126,723	\$ -	\$ 126,723
Food Service	\$ 330,303	\$ 333,773	\$ (3,470)
Community Services	\$ 6,110	\$ -	\$ 6,110
Interest on Long-Term Debt	\$ 85,521	\$ 96,398	\$ (10,877)
Capital Outlay	\$ -	\$ 9,660	\$ (9,660)
Pension Expense	\$ 2,778,422	\$ 241,957	\$ 2,536,465
<b>Total Expenses</b>	<b>\$ 8,844,436</b>	<b>\$ 6,113,358</b>	<b>\$ 2,731,078</b>
<b>Changes in Net Position</b>	<b>\$ (2,545,470)</b>	<b>\$ (231,473)</b>	<b>\$ (2,313,997)</b>
<b>Net Position, Beginning Restated</b>	<b>\$ 3,368,536</b>	<b>\$ 3,763,748</b>	<b>\$ (395,212)</b>
<b>Prior Period Adjustment</b>	<b>\$ -</b>	<b>\$ (163,739)</b>	<b>\$ 163,739</b>
<b>Net Position, Ending</b>	<b>\$ 823,066</b>	<b>\$ 3,368,536</b>	<b>\$ (2,545,470)</b>

Revenues increased overall by \$417,081 primarily due to the net increase in components of Public School Finance Act Funding.

Expenses increased by \$2,731,078 over the prior year primarily due to the increase in amortization of deferred pension expenses of \$2,536,465, instructional expenses of \$169,981 and other support cost of \$126,723. These increases were offset by a decrease in central support costs of \$147,963.

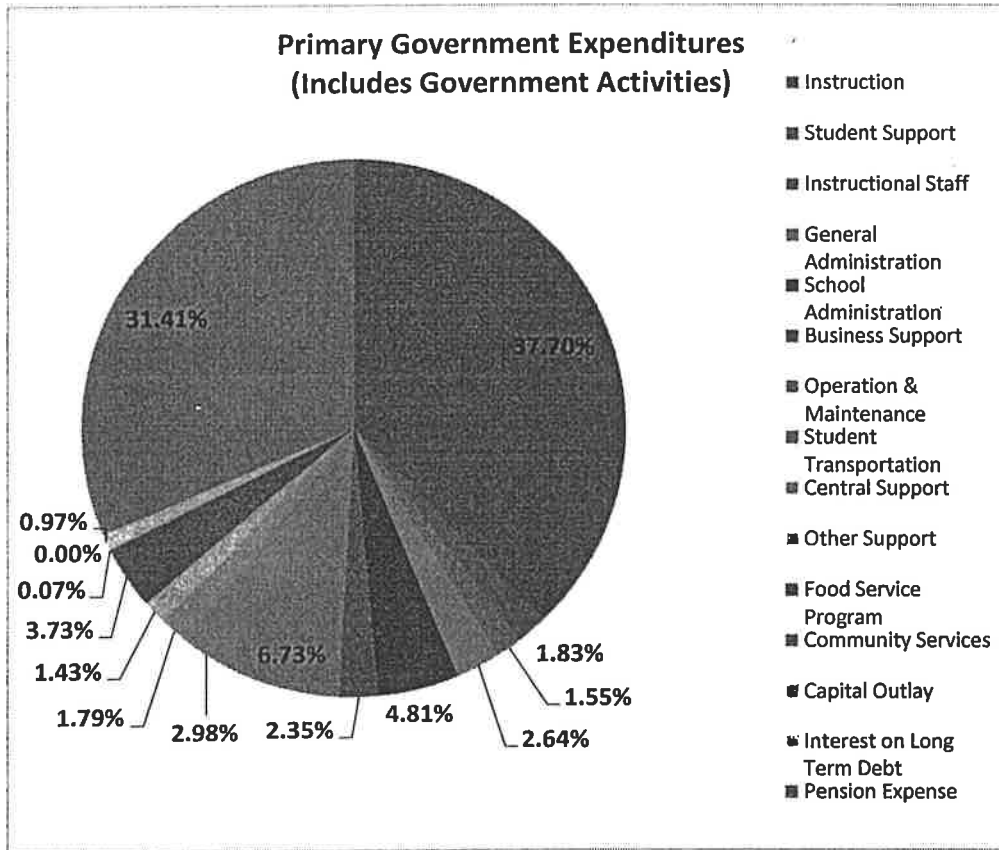
**Huerfano School District RE-1  
Government-Wide  
Total Revenues FY 2016-17**



**PRIMARY GOVERNMENT REVENUE  
(Government Activities)**

Charges for Services	\$ 162,450	2.58%
Operating Grants and Contributions	\$ 828,727	13.16%
Local Property Tax	\$ 2,726,947	43.29%
Specific Ownership Tax	\$ 291,750	4.63%
Equalization	\$ 2,075,568	32.95%
Non Specific Intergovernmental	\$ 148,040	2.35%
Earnings on Investment	\$ 11,101	0.18%
Other Revenue	\$ 54,383	0.86%
	<u>\$ 6,298,966</u>	<u>100.00%</u>

**Huerfano School District RE-1  
Government Wide  
Total Expenditures FY 2016-17**



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

Category	Amount	Percentage
Instruction	\$ 3,334,602	37.70%
Student Support	\$ 161,662	1.83%
Instructional Staff	\$ 137,271	1.55%
General Administration	\$ 233,864	2.64%
School Administration	\$ 425,356	4.81%
Business Support	\$ 207,747	2.35%
Operation & Maintenance	\$ 595,501	6.73%
Student Transportation	\$ 263,174	2.98%
Central Support	\$ 158,180	1.79%
Other Support	\$ 126,723	1.43%
Food Service Program	\$ 330,303	3.73%
Community Services	\$ 6,110	0.07%
Capital Outlay	\$ -	0.00%
Interest on Long Term Debt	\$ 85,521	0.97%
Pension Expense	\$ 2,778,422	31.41%
<b>Total Primary Government</b>	<b>\$ 8,844,436</b>	<b>100.00%</b>

The primary source of operating revenue for school districts comes from the Public School Finance Act of 1994. Under this Act, the District received \$8,412 per funded in-school student compared to \$8,031 the prior year. The District's actual funded pupil count on October 1, 2016 was 521 compared to 511.4 the prior year. Statute provides for averaging with prior years for declining enrollment districts. Huerfano's enrollment has seen small increases in recent years after seeing declines for many years.

Total Program Funding from the School Finance Act comes from property taxes, specific ownership taxes, and state equalization. The District received \$4,680,712 under the School Finance Act compared to \$4,045,579 the prior year. The state share remained the same as the previous year, 42%. The local share which includes property taxes and specific ownership taxes makes up the other 58% of funding from school finance.

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

**Huerfano School District RE-1  
Net Cost of Governmental Activities  
Comparison from FY 2016-17 to 2015-16**

	FY 2016-17 Total Cost of Service	FY 2016-17 Service Fees Grants and Contributions	FY 2016-17 Net Cost Of Services	FY 2015-16 Total Cost of Service	FY 2015-16 Service Fees Grants and Contributions	FY 2015-16 Net Cost Of Services	Net Change
Governmental Activities							
Instruction	\$ 3,334,602	\$ 465,544	\$ 2,869,058	\$ 3,164,621	\$ 585,433	\$ 2,579,188	\$ 289,870
Student Support	\$ 161,662	\$ -	\$ 161,662	\$ 105,001	\$ 456	\$ 104,545	\$ 57,117
Instructional Staff	\$ 137,271	\$ 101,222	\$ 36,049	\$ 178,644	\$ 155,880	\$ 22,764	\$ 13,285
General Administration	\$ 233,864	\$ -	\$ 233,864	\$ 241,731	\$ -	\$ 241,731	\$ (7,867)
School Administration	\$ 425,356	\$ 25,977	\$ 399,379	\$ 429,579	\$ 45	\$ 429,534	\$ (30,155)
Business Support	\$ 207,747	\$ -	\$ 207,747	\$ 198,533	\$ -	\$ 198,533	\$ 9,214
Operation & Maintenance	\$ 595,501	\$ 32,651	\$ 562,850	\$ 581,506	\$ 35,717	\$ 545,789	\$ 17,061
Student Transportation	\$ 263,174	\$ 58,356	\$ 204,818	\$ 225,812	\$ 61,450	\$ 164,362	\$ 40,456
Central Support	\$ 158,180	\$ -	\$ 158,180	\$ 306,143	\$ 13,815	\$ 292,328	\$ (134,148)
Other Support	\$ 126,723	\$ -	\$ 126,723	\$ -	\$ -	\$ -	\$ 126,723
Food Service Program	\$ 330,303	\$ 305,664	\$ 24,639	\$ 333,773	\$ 297,582	\$ 36,191	\$ (11,552)
Community Services	\$ 6,110	\$ 1,763	\$ 4,347	\$ -	\$ -	\$ -	\$ 4,347
Capital Outlay	\$ -	\$ -	\$ -	\$ 9,660	\$ -	\$ 9,660	\$ (9,660)
Interest on Long Term Debt	\$ 85,521	\$ -	\$ 85,521	\$ 96,398	\$ -	\$ 96,398	\$ (10,877)
Pension Expense	\$ 2,778,422	\$ -	\$ 2,778,422	\$ 241,957	\$ -	\$ 241,957	\$ 2,536,465
Total Primary Government	<u>\$ 8,844,436</u>	<u>\$ 991,177</u>	<u>\$ 7,853,259</u>	<u>\$ 6,113,358</u>	<u>\$ 1,150,378</u>	<u>\$ 4,962,980</u>	<u>\$ 2,890,279</u>

# FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

## Governmental Funds

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

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

The General Fund is the major operating fund of the District, providing the majority of the resources for education and support programs. For fiscal year 2016-17 the beginning Fund Balance in the General Fund was \$1,897,156. Revenues in the General Fund totaled \$5,159,589 while expenditures totaled \$4,538,712 and transfers and allocations to other funds totaled \$263,200. The ending fund balance in the General Fund increased by \$357,677 from current operations resulting in an ending fund balance of \$2,254,833 as of June 30, 2017 including \$160,850 reserved for TABOR in accordance with Colorado statute regarding emergency reserves.

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

### Government Designated Grants Fund/Special Revenue (Fund 22)

The Government Designated Grants Fund is used to record financial transactions for grants received for designated purposes funded by federal, state, or local governments. Special revenue funds are legally restricted to expenditures for specific purposes. Revenue in the Government Designated Grants Fund, which includes the Federal Consolidated Grants, totaled \$439,432. The District reported \$72,000 from state sources and \$367,432 from federal sources including the following grants over \$50,000:

No Child Left Behind Grants  
Title I, Part A  
Title II-A, Teacher Quality

### Bond Redemption (Fund 31)

Revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest, are recorded in the Bond Redemption Fund, but are administered by a third-party custodian. The District's approved third-party custodian for the Bond Redemption Fund is UMB Bank. The 2016 bond mill levy was 4.7. Revenue, including property tax and specific ownership tax, in the Bond Redemption Fund totaled \$419,105. Bond principal and interest payments in the amount of \$415,556 were made in FY 2016-17. The Ending Fund Balance in the Bond Redemption Fund was \$677,413 at June 30, 2017 compared to \$673,864 the prior year.

### **Capital Projects Capital Reserve Fund (Fund 43)**

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

The FY 2016-17 beginning Fund Balance in the Capital Projects Fund (43) was \$309,057. Revenues totaled \$193,062 including \$192,000 from transfers from the General Fund. Expenditures totaled \$119,116 including capital outlay totaling \$42,050 and \$77,066 for principal and interest paid on a capital lease leaving an ending Fund Balance at June 30, 2017 of \$383,003.

### **Student Activity (Fund 23)**

The Student Activity Fund is used to record financial transactions related to school-sponsored pupil intra-scholastic and inter-scholastic athletics and other related activities. These activities are supported in whole or in part by revenue from pupils, gate receipts, and other fund-raising activities. The beginning Fund Balance in the Student Activity Fund was \$64,499. Revenues in the Student Activity Fund totaled \$141,019 including \$43,500 from transfers from the General Fund. Expenditures totaled \$196,631. The Fund Balance in the Student Activity Fund as of June 30, 2017 was \$8,887.

### **Food Service (Fund 21)**

The Food Service Fund is used to record financial transactions related to the hot lunch and breakfast programs. The beginning Fund Balance in the Food Service Fund was \$97,029. Revenues in the Food Service Fund totaled \$333,364 including federal meal revenue of \$271,286, state revenue of \$2,548, local revenue from meal sales totaling \$31,830 and transfers of \$27,700 from the General Fund. Expenditures totaled \$327,754 leaving an ending Fund Balance in the Food Service Fund as of June 30, 2017 of \$102,639.

## **BUDGET ANALYSIS**

The Board of Education approved a budget in June 2016 based on enrollment projections for the 2016-17 school year. Statute permits a district to amend its budget through December 31<sup>st</sup> each year, which the Board of Education approved at its meeting in January 2017. Budget comparisons appear on pages 37 through 41. Following is a discussion of significant variances of actual results compared to final budgets.

General Fund revenues were over budget by \$420,546 or 8.8%. Expenditures were under budget by \$1,834,287 or .29% with variance spread proportionally to all functions.

Operating revenues from food sales were \$18,130 over budget while non-operating revenues were \$78,834 over budget. Expenditures were under budget by \$5,675. The District budgeted for use of fund balance in the amount of \$97,029 while actual results increased fund balance by \$5,610.

Grant revenues equal expenditures and both were greater than budget by \$9,476 primarily due to an increase in federal grant funds received.

Revenues in the Pupil Activities Special Revenue Fund were over budget by \$4,919 while expenditures were under budget by \$3,968. The subsidy from General Fund was \$43,500 equal to the amount budgeted. Overall, the fund balance decreased by \$55,612.

Revenues in the Bond Redemption Debt Service Fund were \$3,405 over budget. Spending was also \$674,008 under budget primarily due to not spending appropriated reserves which will be used for future bond payments. Ending fund balance increased \$3,549.

In the Capital Projects Capital Reserve Fund, revenues were over budget by \$762. Expenditures were \$382,241 below budget due in part to appropriated reserves that were not spent and the purchases of vehicles and facilities repairs being deferred.

### CAPITAL ASSET AND LONG-TERM DEBT

**Capital assets:** The Huerfano School District RE-1 owns land with a carrying value of \$247,347 and building and improvements capitalized at \$18,745,966 at June 30, 2017. Equipment and vehicles totaled \$1,331,789. In addition, the Districts Food Service Fund has equipment with a carrying value of \$313,123. The net carrying value of capital assets after subtracting accumulated depreciation is \$11,731,323 from governmental activities. During 2016-17 Huerfano School District RE-1 completed projects in the Capital Projects Capital Reserve Fund that increased the carrying value of buildings and improvements by \$49,356.

**Long-term debt:** District voters approved a general obligations bond of \$5,755,000 in 2002. General Obligation Bonds, Series 2002, were issued on December 15, 2002, for the original amount of \$5,755,000. In August 2011, Huerfano School District RE-1 issued \$4,140,000 in general obligation bonds with an average interest rate of 3.26% to advance refund \$4,030,000 of outstanding 2002 bonds with interest rates ranging from 3.875% to 4.8%. The refunding proceeds totaling \$4,284,565 were deposited with an escrow agent to provide debt service payments on the 2002 Series Bonds as they come due. As a result, a portion of the 2002 bonds, \$4,030,000 of principal and \$1,205,859 of interest, are considered to be defeased and the liability is not reported in these financial statements. The June 30, 2017 balance for the 2011 general obligation bonds was 2,230,000 after a principal payment of \$360,000.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- The steady pattern of decline in the funded pupil count has leveled off. It is estimated that the state will see a slight increase in students. Huerfano's enrollment had been steadily declining but has seen increases in the past two years. In Districts with declining enrollment such as Huerfano RE-1, the state averages the previous 5 years to determine an average funded count. The District's average "Funded Pupil Count" for 2016-17 was 528.6 compared to 511.4 for 2015-16, 510.3 for 2014-15, 526.5 for 2013-14, 547.3 for 2012-13.
- In FY 2009-10 nearly 3% of funding from the School Finance Act was rescinded by the State in January 2010. Funding for FY 2010-11 was frozen at the prior year level regardless of any increase in the number of students or other changes in economic factors in the School Finance Act formula. When the State revenue was not adequate to fund the full amount for School Finance, it was backfilled with one time monies from Federal Jobs Education grants and additional ARRA funding. These funds were not available in FY 2011-12 resulting in additional cuts in funding. The base per pupil was held at the same level as FY 2011-12 for 2012-13. Per pupil funding for 2013-14 increased 2.8% with the negative factor going from 16.1% down to 15.4%. For 2014-15 per pupil funding increased by 5.8% and the negative factor decreased from 15.4% to 13%. For 2015-16 per pupil funding increased 2.9% with the negative factor decreasing from 13% to 12.1%. For 2016-17 per pupil funding increased 1.2% with no change to the negative factor.

- Deficit spending had been a chronic problem, but the District has addressed the issue and has had an operating surplus for four years. For 2016-17 revenue increased due to the approval of a mill levy override by the voters. General Fund reserves increased by \$357,677 compared to \$59,139 the prior year. Districts should keep at least three to four months operating costs in reserves for unexpected economic changes in addition to required TABOR reserves. The District needs to continue to monitor its reserves and not rely on them to balance the budget.

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

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

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

**BASIC FINANCIAL STATEMENTS**

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<u>Governmental</u>	
	<u>Activities</u>	<u>Total</u>
<b>ASSETS</b>		
<u>Current Assets</u>		
Cash	2,549,455	2,549,455
Investments	1,049,025	1,049,025
Property Taxes Receivable	193,114	193,114
Accounts Receivable	60,356	60,356
Accrued Revenue	189,745	189,745
Inventories	7,389	7,389
<u>Total Current Assets</u>	<u>4,049,084</u>	<u>4,049,084</u>
<u>Capital Assets:</u>		
Land	247,347	247,347
Depreciable Assets	20,390,878	20,390,878
Accumulated Depreciation	(8,906,902)	(8,906,902)
<u>Capital Assets Net of Depreciation</u>	<u>11,731,323</u>	<u>11,731,323</u>
<b>TOTAL ASSETS</b>	<b><u>15,780,407</u></b>	<b><u>15,780,407</u></b>
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Bond Refunding	75,822	75,822
Deferred Pension Cost - Plan	6,967,550	6,967,550
Deferred Pension Cost – Entity	-	-
District Contribution Subsequent to Pension Measurement Date	284,625	284,625
<u>Total Deferred Outflows of Resources</u>	<u>7,327,997</u>	<u>7,327,997</u>
 <u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Accounts Payable	86,613	86,613
Accrued Salaries Payable	392,396	392,396
Accrued Interest	6,225	6,225
Unearned Grant Payments	35,437	35,437
General Obligation Bonds – Current	360,000	360,000
Bond Premium – Current	18,294	18,294
<u>Total Current Liabilities</u>	<u>898,965</u>	<u>898,965</u>
<u>Noncurrent Liabilities:</u>		
General Obligation Bonds	1,870,000	1,870,000
Bond Premium	46,091	46,091
Compensated Absences	82,842	82,842
Net Pension Liability	18,809,938	18,809,938
<u>Total Noncurrent Liabilities</u>	<u>20,808,871</u>	<u>20,808,871</u>
<b>TOTAL LIABILITIES</b>	<b><u>21,707,836</u></b>	<b><u>21,707,836</u></b>
 <u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Pension – Plan	84,989	84,989
Deferred Pension - Entity	492,513	492,513
<u>Total Deferred Inflows of Resources</u>	<u>577,502</u>	<u>577,502</u>
 <u>NET POSITION</u>		
Net Investment in Capital Assets	9,501,323	9,501,323
Restricted for:		
TABOR (Emergencies)	160,850	160,850
Preschool	20,758	20,758
Debt Service	677,413	677,413
Food Service	102,639	102,639
Unrestricted	(9,639,917)	(9,639,917)
<b>TOTAL NET POSITION</b>	<b><u>823,066</u></b>	<b><u>823,066</u></b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2017**

	Net (Expenses) Revenue and Changes in Net Position			
	Primary Government			Total
FUNCTIONS/PROGRAMS	Expenses	Program Revenues		Governmental Activities
Primary Government:	Charges for Services	Operating Grants & Contributions	Capital Grants and Contributions	Total
Governmental Activities				
Instruction	3,334,602	97,519	368,025	(2,869,058)
Student Support	161,662	-	-	(161,662)
Instructional Staff	137,271	-	101,222	(36,049)
General Administration	233,864	-	-	(233,864)
School Administration	425,356	-	25,977	(399,379)
Business Support	207,747	-	-	(207,747)
Operation & Maintenance	595,501	32,651	-	(562,850)
Student Transportation	263,174	450	57,906	(204,818)
Central Support	158,180	-	-	(158,180)
Other Support	126,723	-	-	(126,723)
Food Services	330,303	31,830	273,834	(24,639)
Community Services	6,110	-	1,763	(4,347)
Interest Expense	85,521	-	-	(85,521)
Pension Expense	2,778,422	-	-	(2,778,422)
<b>Total Governmental Activities</b>	<b>8,844,436</b>	<b>162,450</b>	<b>828,727</b>	<b>(7,853,259)</b>
<b>Total Primary Government</b>	<b>8,844,436</b>	<b>162,450</b>	<b>828,727</b>	<b>(7,853,259)</b>
General Revenues				
Local Property Taxes				2,726,947
Small Attendance Center				106,776
Specific Ownership Taxes				291,750
Non Specific Intergovernmental				148,040
School Finance Act				1,968,792
Earnings on Investments				11,101
Other				54,383
<b>Total General Revenues</b>				<b>5,307,789</b>
<b>Change in Net Position</b>				<b>(2,545,470)</b>
<b>Net Position, Beginning</b>				<b>(3,368,536)</b>
<b>Net Position, Ending</b>				<b>823,066</b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<u>General</u>	<u>Grants Special Revenue Fund</u>	<u>Bond Redemption Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash	1,659,614	15,576	654,225	220,040	2,549,455
Investments	934,438	-	-	114,587	1,049,025
Property Taxes Receivable	164,978	-	28,136	-	193,114
Due From Other Funds	109,903	164	10,715	95,205	215,987
Accrued Revenue	-	189,745	-	-	189,745
Accounts Receivable	-	-	-	60,356	60,356
Inventories	-	-	-	7,389	7,389
<b>Total Assets</b>	<b><u>2,868,933</u></b>	<b><u>205,485</u></b>	<b><u>693,076</u></b>	<b><u>497,577</u></b>	<b><u>4,265,071</u></b>
<b>LIABILITIES:</b>					
Accounts Payable	60,379	9,509	-	2,297	72,185
Intergovernmental Payable	14,128	300	-	-	14,428
Due To Other Funds	96,111	119,125	-	751	215,987
Unearned Grant Payments	-	35,437	-	-	35,437
Accrued Salaries Payable	351,282	41,114	-	-	392,396
<b>Total Liabilities</b>	<b><u>521,900</u></b>	<b><u>205,485</u></b>	<b><u>-</u></b>	<b><u>3,048</u></b>	<b><u>730,433</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Property Tax	92,200	-	15,663	-	107,863
<b>FUND BALANCES:</b>					
<b>Nonspendable:</b>					
Inventories	-	-	-	7,389	7,389
<b>Restricted for:</b>					
TABOR (Emergencies)	160,850	-	-	-	160,850
Preschool	20,758	-	-	-	20,758
Debt Service	-	-	677,413	-	677,413
Food Service	-	-	-	95,250	95,250
<b>Committed for:</b>					
Risk Management	-	-	-	-	-
Capital Outlay	-	-	-	383,003	383,003
<b>Assigned for:</b>					
Pupil Activities	-	-	-	8,887	8,887
Unassigned	2,073,225	-	-	-	2,073,225
<b>Total Fund Balances</b>	<b><u>2,254,833</u></b>	<b><u>-</u></b>	<b><u>677,413</u></b>	<b><u>494,529</u></b>	<b><u>3,426,775</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</b>	<b><u>2,868,933</u></b>	<b><u>205,485</u></b>	<b><u>693,076</u></b>	<b><u>497,577</u></b>	<b><u>4,265,071</u></b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET  
TO STATEMENT OF NET POSITION  
June 30, 2017**

<b><u>GOVERNMENTAL FUNDS TOTAL FUND BALANCE</u></b>	<b>3,426,775</b>
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.	107,863
Capital Assets used in governmental activities are not considered current financial resources and, therefore, not reported in the governmental funds.	20,638,225
Accumulated Depreciation is not recognized in the governmental funds because capital assets are expensed at the time of acquisition.	(8,906,902)
Accrued interest payable is not considered current financial resources and, therefore, not reported in the governmental funds.	(6,225)
Long-term liabilities, including general obligation bonds are not due and payable in the current period and therefore are not reported in funds.	
General Obligation Bonds	(2,230,000)
Unamortized Bond Premium	(64,385)
Loss on Bond Refunding	<u>75,822</u>
	(2,218,563)
Compensated absences are not reported as a liability in the funds.	(82,842)
Net pension liability, along with associated deferred flow, are not recorded at the fund level:	
Net Pension Liability	(18,809,938)
Deferred Pension Cost – Plan	6,882,561
Deferred Pension Cost – Contributions Subsequent to Pension Measurement Date	284,625
Deferred Pension Cost – Entity	<u>(492,513)</u>
<b><u>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</u></b>	<b><u>823,066</u></b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	<u>General</u>	<u>Grants Special Revenue Fund</u>	<u>Bond Redemption Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES:</b>					
Taxes	2,721,114	-	418,951	-	3,140,065
Intergovernmental	2,361,472	439,432	-	273,834	3,074,738
Interest	9,885	-	154	1,062	11,101
Other	67,118	-	-	129,349	196,467
<u>Total Revenues</u>	<u>5,159,589</u>	<u>439,432</u>	<u>419,105</u>	<u>404,245</u>	<u>6,422,371</u>
<b>EXPENDITURES</b>					
<b>Current:</b>					
Instruction	2,371,234	310,470	-	196,631	2,878,335
Student Support	161,662	-	-	-	161,662
Instructional Staff	36,049	101,222	-	-	137,271
General Administration	232,049	-	-	-	232,049
School Administration	399,379	25,977	-	-	425,356
Business Services	207,747	-	-	-	207,747
Operations & Maintenance	596,311	-	-	-	596,311
Student Transportation	245,031	-	-	-	245,031
Central Support	158,180	-	-	-	158,180
Other Support	126,723	-	-	-	126,723
Food Services	-	-	-	327,754	327,754
Community Services	4,347	1,763	-	-	6,110
Capital Outlay	-	-	-	42,050	42,050
Debt Service	-	-	415,556	77,066	492,622
<u>Total Expenditures</u>	<u>4,538,712</u>	<u>439,432</u>	<u>415,556</u>	<u>643,501</u>	<u>6,037,201</u>
<u>Excess of Revenues Over (Under)</u> <u>Expenditures</u>	<u>620,877</u>	<u>-</u>	<u>3,549</u>	<u>(239,256)</u>	<u>385,170</u>
<u>Other Financing Sources (Uses)</u>					
Operating Transfers In (Out)	(263,200)	-	-	263,200	-
<u>Total Other Financing</u> <u>Sources (Uses)</u>	<u>(263,200)</u>	<u>-</u>	<u>-</u>	<u>263,200</u>	<u>-</u>
<u>Net Changes in Fund Balances</u>	<u>357,677</u>	<u>-</u>	<u>3,549</u>	<u>23,944</u>	<u>385,170</u>
<u>FUND BALANCES, Beginning</u>	<u>1,897,156</u>	<u>-</u>	<u>673,864</u>	<u>470,585</u>	<u>3,041,605</u>
<u>FUND BALANCES, Ending</u>	<u>2,254,833</u>	<u>-</u>	<u>677,413</u>	<u>494,529</u>	<u>3,426,775</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN**  
**FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

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<b><u>GOVERNMENTAL FUNDS CHANGES IN FUND BALANCES</u></b>		<b>385,170</b>
Deferred Property Tax Revenue – Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but recognized on the government-wide financial statements.		107,863
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlay reported as an expenditure in the governmental funds functions.		49,356
Compensated absences do not use current financial resources and are not reported on the governmental fund financial statements but are recognized on the government-wide financial statements.		100
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		(487,838)
Deferred Property Taxes of the prior year – Property taxes earned but deferred in the prior year and received in the current year are recognized in the prior year net position on the statement of activities		(228,800)
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Repayment of Debt Principal	410,003	
Interest Expense	<u>(2,902)</u>	407,101
The increase in net pension liability, along with the changes and amortizations of deferred flows associated with the net pension liability are not recorded at the fund level:		
Change in net pension liability and related deferred flows		<u>(2,778,422)</u>
<b><u>CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES</u></b>		<b><u>(2,545,470)</u></b>

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

**NOTES TO BASIC FINANCIAL STATEMENTS**

HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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**NOTE 1**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Huerfano School District Number RE-1 of Huerfano County was organized by a vote of qualified electorate on April 14, 1959, under the provisions of the Colorado School Organization Act of 1957. The District operates under an elected Board of Education with seven members and provides educational services to approximately 506 students.

The District is the lowest level of government, which is considered to be financially accountable over all activities related to public school education in Huerfano School District Number RE-1. The District receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. The Board of Education members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and primary accountability for fiscal matters.

A. Reporting Entity

Governmental Accounting Standards Board (GASB) Statement No. 14 (as amended by Statements No. 34, No. 39 and No. 61), "*The Financial Reporting Entity*" (GASB No. 14) describes the financial reporting entity as it relates to governmental accounting. According to this Statement, the financial reporting entity consists of a) the primary government, b) organizations for which the primary government is financially accountable, and c) other organizations whose exclusion from the reporting entity's financial statements would cause those statements to be misleading or incomplete. Any organizations that can be described by these last two items are included with the primary government in the financial statements as component units.

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 1**

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

**B. Government-Wide and Fund Financial Statements**

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds (General Fund, Grants Special Revenue Fund and Bond Redemption Debt Service) and individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

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

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

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

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

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 1**

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

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

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

**D. Fund Accounting**

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

- **Major Governmental Funds**

1. **General Fund** – the general operating fund of the District; used to account for all resources that are not required legally or by sound financial management to be accounted for in another fund.
2. **Special Revenue Governmental Designated – Purpose Grants Fund** – used to account for restricted state and federal grants including, but not limited to, No Child Left Behind programs which must be expanded as designated by the grantor agency.
3. **Bond Redemption Fund** – is used to account for the debt service payments of the District.

HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

**E.    Cash and Investments**

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

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

**F.    Receivables**

Property taxes levied in 2016 but uncollected in 2017 are identified as property taxes receivable. Amounts of property taxes that are not available at June 30, 2017 are recorded as deferred inflows in the fund financial statements, and are presented net of an allowance for uncollectible taxes. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred.

**G.    Inventories**

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

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

**H.    Capital Assets**

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

HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017

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

**H.      Capital Assets (Continued)**

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

The monetary threshold for capitalization of assets is \$5,000 for governmental funds and \$500 for proprietary funds. The District's capital assets are depreciated using the straight-line method over the estimated useful lives of the fixed assets (5-35 years). Depreciation of all capital assets is charged as an expense against their operations. Depreciation is recorded in the year of acquisition and any remaining depreciation is recorded in the year of disposition.

**I.      Long-Term Obligations**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable government activities, business-type activities, or proprietary fund type statement of net position. The District records long-term debt of governmental funds at the face value. The District's general obligation bonds are serviced from property taxes and other revenues of the Debt Service Fund. Capital leases are serviced from property taxes and other revenues of the General Fund and the Capital Reserve Capital Projects Fund. The long-term accumulated unpaid accrued sick leave is serviced from property taxes and other revenues by the respective fund type from future appropriations.

**J.      Constitutional Amendment**

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

On November 5, 1996 the registered voters approved a ballot resolution authorizing Huerfano School District Number RE-1 to collect, retain and expend all revenues from any source provided that no property tax mill levy be increased or any new tax be imposed.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**J.      Constitutional Amendment (Continued)**

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future years. TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be three percent or more of fiscal year spending (excluding bonded debt service). As of June 30, 2017 the District reserved \$160,850 for this purpose.

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

**K.      Property Taxes**

Under Colorado law, all property taxes are due and payable in the year following the year levied. The 2016 property tax calendar for Huerfano County was as follows:

Levy Date	December 22, 2016
Lien Date	January 1, 2017
Tax Bills Mailed	January 1, 2017
First Installment Due	February 28, 2017
Second Installment Due	June 15, 2017
If Paid in Full, Due	April 30, 2017

**L.      Accumulated Leave**

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

Compensated absences are reported as non-current liabilities in the government-wide financial statements. As of June 30, 2017, the District has recorded an estimated liability of \$82,842 relating to accrued sick leave payable and accrued vacation.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
 June 30, 2017

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

**L.    Accumulated Leave (Continued)**

A summary of changes in compensated absences is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
Accumulated Leave	<u>82,942</u>	<u>      -</u>	<u>      100</u>	<u>82,842</u>

**M.    Use of Estimates**

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

**N.    Interest Expense**

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

**O.    GASB Statement No. 54**

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

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2017

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

**O. GASB Statement No. 54 (Continued)**

**Fund Balance Classification Policies and Procedures**

**Committed Fund Balance Policy:**

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

**Assigned Fund Balance Policy:**

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

**Order of Fund Balance Spending Policy**

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

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

**Fund Balance Classification by Fund:**

	<u>General Fund</u>	<u>Capital Projects Capital Reserve Fund</u>	<u>Special Revenue Fund Grants Fund</u>	<u>Bond Redemption Debt Service Fund</u>	<u>Special Revenue Student Activities Fund</u>	<u>Special Revenue Food Services Fund</u>	<u>Total Governmental Funds</u>
<b><u>Nonspendable:</u></b>							
Inventories	-	-	-	-	-	7,389	7,389
<b><u>Restricted:</u></b>							
Emergencies	160,850	-	-	-	-	-	160,850
Preschool	20,758	-	-	-	-	-	20,758
Debt Service	-	-	-	677,413	-	-	677,413
Food Service	-	-	-	-	-	95,250	95,250
<b><u>Committed:</u></b>							
Risk Management	-	-	-	-	-	-	-
Capital Outlay	-	383,003	-	-	-	-	383,003
<b><u>Assigned:</u></b>							
Pupil Activities	-	-	-	-	8,887	-	8,887
<b><u>Unassigned:</u></b>	<u>2,073,225</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,073,225</u>
<b><u>Total Fund</u></b>							
<b><u>Balances</u></b>	<u>2,254,833</u>	<u>383,003</u>	<u>-</u>	<u>677,413</u>	<u>8,887</u>	<u>102,639</u>	<u>3,426,775</u>

HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

**P.    Deferred Outflows / Inflows of Resources**

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

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

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

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

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements. However, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

	Items Eliminated		
	Due From Other Funds	Due To Other Funds	Transfers In (Out)
General Fund	109,903	96,111	(263,200)
Grants - Special Revenue Fund	164	119,125	-
Bond Redemption – Debt Service Fund	10,715	-	-
Student Activity – Special Revenue Fund	2,195	164	43,500
Capital Reserve– Capital Projects Fund	77,066	-	192,000
Food Service – Special Revenue Fund	15,944	587	27,700
<b><u>Totals</u></b>	<b><u>215,987</u></b>	<b><u>215,987</u></b>	<b><u>-</u></b>

**NOTE 3**    **BUDGETARY INFORMATION**

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

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

1. Prior to June 1, the Business Manager submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public notices are released to obtain taxpayer comments.
3. Prior to June 30, the budget is legally enacted through passage of a resolution.
4. The Business Manager is authorized to transfer budgeted amounts between categories within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Board of Education.
5. Formal budgetary integration should be employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 3**      **BUDGETARY INFORMATION (Continued)**

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

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

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

**NOTE 4**      **CASH AND INVESTMENTS**

**Deposits**

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

At June 30, 2017, the District's bank balance and corresponding carrying balance were as follows:

	<u>Carrying Balance</u>	<u>Bank Balance</u>
Insured (FDIC	500,000	500,000
Uninsured, Collateralized under the Public Deposit Protection Act of the State of Colorado	1,749,862	1,829,704
Cash on Hand	207,314	-
Cash with County Treasurer	<u>92,279</u>	<u>-</u>
<b><u>Total Cash and Deposits</u></b>	<b><u>2,549,455</u></b>	<b><u>2,329,704</u></b>

As presented above, deposits with a bank balance of \$1,829,704 and a carrying balance of \$1,749,862 as of June 30, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017**

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**NOTE 4      CASH AND INVESTMENTS (Continued)**

**Investments**

At June 30, 2017, the District had the following investments:

<u>Investment</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Credit Risk Rating</u>
COLO TRUST Plus	Under 60 Day Average	<u>1,049,025</u>	AAA

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

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

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

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

**The District has the following recurring fair value measurements as of June 30, 2017:**

- **ColoTrust Investment Pool of \$1,049,025 is valued using quoted market prices (Level 1 inputs)**

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 5**      **CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

<u>Governmental Activities</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>
<b><u>Non-Depreciable Assets:</u></b>				
Land	247,347	-	-	247,347
Construction in Progress	-	-	-	-
<b><u>Total Non-Depreciable Assets</u></b>	<b><u>247,347</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>247,347</u></b>
<b><u>Depreciable Assets:</u></b>				
Buildings & Improvements	18,703,106	42,860	-	18,745,966
Equipment & Vehicles	1,384,020	-	52,231	1,331,789
Food Service	306,627	6,496	-	313,123
<b><u>Total Depreciable Assets</u></b>	<b><u>20,393,753</u></b>	<b><u>49,356</u></b>	<b><u>52,231</u></b>	<b><u>20,390,878</u></b>
<b><u>Less Accumulated</u></b>				
<b><u>Depreciation for:</u></b>				
Building & Improvements	6,884,228	449,263	-	7,333,491
Equipment & Vehicles	1,320,580	29,530	52,231	1,297,879
Food Services	266,487	9,045	-	275,532
<b><u>Total Accumulated</u></b>	<b><u>8,471,295</u></b>	<b><u>487,838</u></b>	<b><u>52,231</u></b>	<b><u>8,906,902</u></b>
<b><u>Depreciation</u></b>	<b><u>8,471,295</u></b>	<b><u>487,838</u></b>	<b><u>52,231</u></b>	<b><u>8,906,902</u></b>
<b><u>Governmental Activities</u></b>				
<b><u>Capital Assets, Net</u></b>	<b><u>12,169,805</u></b>	<b><u>(438,482)</u></b>	<b><u>-</u></b>	<b><u>11,731,323</u></b>

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

**Governmental Activities:**

Instruction	456,367
General Administration	4,283
Operation & Maintenance	-
Transportation	18,143
Food Service	<u>9,045</u>
<b><u>Total Depreciation Governmental Activities</u></b>	<b><u>487,838</u></b>

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 6**      **INTERFUND**

**RECEIVABLES AND PAYABLES**

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>	<u>Repayment Period</u>
General	109,903	96,111	Current Operations	Within 1 Year
Special Revenue:				
Food Services	15,944	587	Current Operations	Within 1 Year
Student Activity	2,195	164	Current Operations	Within 1 Year
Grants	164	119,125	Current Operations	Within 1 Year
Bond Redemption – Debt Service Fund	10,715	-	Deposit Error	Within 1 Year
Capital Projects – Capital Reserve Fund	<u>77,066</u>	<u>-</u>	Current Operations	Within 1 Year
	<u>215,987</u>	<u>215,987</u>		

**TRANSFERS**

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>	<u>Purpose</u>
General	-	263,200	Current Operations
Special Revenue:			
Student Activity	43,500	-	Current Operations
Food Service	27,700	-	Current Operations
Capital Projects:			
Capital Reserve	<u>192,000</u>	<u>-</u>	Current Operations
	<u>263,200</u>	<u>263,200</u>	

**NOTE 7**      **GENERAL OBLIGATION BONDS PAYABLE**

**General Obligation Refunding Series 2011**

On August 23, 2011 the District issued \$4,140,000 in General Obligation Refunding Bonds with an average interest rate of 3.26% to advance refund \$4,030,000 outstanding 2002 General Obligation Bonds bearing interest rates ranging from 3.875% to 4.800%. Refunding proceeds of \$4,284,565 were deposited with an escrow agent to provide debt service payments of \$4,030,000 in principal and \$1,205,862 in interest on the 2002 Series Bonds. As a result, that portion of 2002 Bonds is considered to be defeased and the liability for the issue has been removed from the financial statements. The defeased debt balance at June 30, 2017 was \$2,270,000.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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

**General Obligation Refunding Series 2011 (Continued)**

Payments to maturity are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	360,000	69,300	429,300
2019	350,000	58,650	408,650
2020	365,000	47,925	412,925
2021	375,000	36,825	411,825
2022	390,000	23,400	413,400
2023	<u>390,000</u>	<u>7,800</u>	<u>397,800</u>
<b>Total</b>	<b><u>2,230,000</u></b>	<b><u>243,900</u></b>	<b><u>2,473,900</u></b>

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

<u>General Obligation Bonds:</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Series 2011	<u>2,565,000</u>	<u>-</u>	<u>335,000</u>	<u>2,230,000</u>	<u>360,000</u>

**NOTE 8**      **CAPITAL LEASE PAYABLE**

The District has entered into a capital lease agreement to purchase computer hardware. The lease term is for two years with an annual interest rate of 2.75% with annual payments of \$77,066.03. The lease was fully paid as of June 30, 2017.

Capital lease obligations for the fiscal year ended June 30, 2017 are comprised of the following:

<u>Governmental Funds:</u>	<u>Balance July 1, 2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2017</u>	<u>Due Within One Year</u>
Capital Reserve – Capital Projects Fund	<u>75,003</u>	<u>-</u>	<u>75,003</u>	<u>-</u>	<u>-</u>

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 9**

**PENSION PLAN**

**Defined Benefit Pension Plan**

**Summary of Significant Accounting Policies**

**Pensions.** Huerfano School District Number RE-1 participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 9**      **PENSION PLAN (Continued)**

- \$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 Huerfano School District Number RE-1 are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. 24-51-401, et seq. Eligible employees are required to contribute 8 percent of their PERA- includable salary. The employer contribution requirements are summarized in the table below.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 9      PENSION PLAN (Continued)**

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
<b>Employer Contribution Rate</b>	<b>10.15 %</b>	<b>10.15 %</b>
<b>Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208 (1) (f)</b>	<b>(1.02)%</b>	<b>(1.02)%</b>
<b>Amount Apportioned to the SCHDTF</b>	<b>9.13%</b>	<b>9.13%</b>
<b>Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411</b>	<b>4.50%</b>	<b>4.50%</b>
<b>Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411</b>	<b>4.50%</b>	<b>5.00%</b>
<b>Total Employer Contribution Rate to the SCHDTF</b>	<b>18.13%</b>	<b>18.63%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Huerfano School District Number RE-1 is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Huerfano School District Number RE-1 were \$537,922 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 Huerfano School District Number RE-1 reported a liability of \$18,809,938 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 Huerfano School District Number RE-1 proportion of the net pension liability was based on Huerfano School District Number RE-1 contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Huerfano School District Number RE-1 proportion was 0.06318 percent, which was a decrease of 0.00158 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Huerfano School District Number RE-1 recognized pension expense of \$2,778,422. At June 30, 2017, the Huerfano School District Number RE-1 reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 9**      **PENSION PLAN (Continued)**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	235,153	(166)
Changes of assumptions or other inputs	6,103,432	(84,823)
Net difference between projected and actual earnings on pension plan investments	628,965	0
Changes in proportion and differences between contributions recognized and proportionate share of contributions	0	(492,513)
Contributions subsequent to the measurement date	284,625	N/A
Total	7,252,175	(577,502)

\$284,625 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	
2018	2,473,732
2019	2,578,617
2020	1,331,410
2021	6,289
2022	-
Thereafter	-

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

Actuarial Cost Method	Entry Age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage Inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount Rate	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 9      PENSION PLAN (Continued)**

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 9**      **PENSION PLAN (Continued)**

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

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

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

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

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best -estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

**NOTE 9**      **PENSION PLAN (Continued)**

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
<b>Total</b>	<b>100.00%</b>	

\*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.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 9**

**PENSION PLAN (Continued)**

- 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 members. Therefore, the long-term expected rate of return on plan investments of 7.50% 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. The discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
NOTES TO BASIC FINANCIAL STATEMENTS  
June 30, 2017**

**NOTE 9**

**PENSION PLAN (Continued)**

*Sensitivity of the Huerfano School District Number RE-1 proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 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	23,652,889	18,809,938	14,865,526

*Pension plan fiduciary net position.* Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Defined Contribution Pension Plan**

**Voluntary Investment Program**

*Plan Description* – Employees of the Huerfano School District Number RE-1 that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA, Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees, PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2017, program members contributed \$4,817.

**Other Post-Employment Benefits**

**Health Care Trust Fund**

*Plan Description* – The Huerfano School District Number RE-1 contributes to the Health Care Trust Fund (“HCTF”), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 9**      **PENSION PLAN (Continued)**

*Funding Policy* – The Huerfano School District Number RE-1 is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Huerfano School District Number RE-1 are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Huerfano School District Number RE-1 contributions to the HCTF were \$29,951, \$28,824 and \$29,592, respectively equal to their required contributions for each year.

**NOTE 10**      **RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

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

**NOTE 11**      **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL**

The District belongs to the Colorado School District's Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, Workers' Compensation and other coverage. The Board of Directors is composed of eight persons; seven of whom are appointed by the Board of Directors of CASB and the Executive Director of CASB. The Pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the Aggregate Pool claims, the cost of Administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

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

The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2017.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 11**    **COLORADO SCHOOL DISTRICT SELF INSURANCE POOL (Continued)**

An audited summary of the Colorado School District's Pool financial information at December 31, 2016 (latest information available) follows:

Total Assets	<u>48,036,383</u>
Total Liabilities	<u>21,232,630</u>
Total Equity	<u>26,803,753</u>
Revenue	14,232,299
Underwriting Expenses	<u>12,497,566</u>
Underwriting Gain (Loss)	1,734,733
Net Investment Income	690,250
Other Income	-
Net Income (Loss) Before Dividend	<u>2,424,983</u>
Dividend	-
Net Income	<u>2,424,983</u>
Change in Non Admitted Assets	<u>53,761</u>
Capital Contributions from Members	-
Unassigned Surplus	<u>26,803,753</u>

**NOTE 12**    **LITIGATION**

None.

**NOTE 13**    **SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments** - The District participates in a number of federal, state and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited by the grantor but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual government funds or the overall financial position of the District.

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**June 30, 2017**

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**NOTE 14**    **JOINT VENTURES**

**South-Central Board of Cooperative Educational Services**

Not reflected in the accompanying financial statements is the District's participation in the South-Central Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per District.

The District has one member on the Board. The Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is not determinable at June 30, 2017. The joint venture summary unaudited financial information as of June 30, 2016 is as follows:

Total Assets & Deferred Outflows	<u>2,980,723</u>
Current Liabilities & Deferred Inflows	7,804,017
Net Position	<u>(4,823,294)</u>
Total Liabilities and Net Position	<u>2,980,723</u>
Total Revenues	3,658,221
Total Expenses	<u>3,253,671</u>
Change in Net Position	<u>404,550</u>

The BOCES has no long term debt.

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

**NOTE 15**    **ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017, are estimated to be \$392,396 and will be paid during the 2017-2018 fiscal year. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements.

**NOTE 16**    **INVENTORIES**

Food Service Fund inventories at June 30, 2017, consisted of purchased food, commodities and non-food amounting to \$2,833, \$3,751 and \$805 respectively. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BUDGETARY COMPARISONS**

**PENSION TREND DATA**

## **MAJOR GOVERNMENTAL FUNDS**

### **General Fund**

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

### **Special Revenue Funds**

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

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>REVENUES</u></b>				
<b><u>Local Sources</u></b>				
Property Taxes	2,111,812	2,111,812	2,420,170	308,358
Specific Ownership Taxes	279,631	279,631	291,750	12,119
Earnings on Investments	2,900	2,900	9,885	6,985
Delinquent Taxes & Interest	18,500	18,500	9,194	(9,306)
Transportation	-	-	450	450
Rental Income	30,000	30,000	32,651	2,651
Local Grants BOCES	-	-	6,222	6,222
Other	<u>29,000</u>	<u>29,000</u>	<u>27,795</u>	<u>(1,205)</u>
<b><u>Total Local Sources</u></b>	<b><u>2,471,843</u></b>	<b><u>2,471,843</u></b>	<b><u>2,798,117</u></b>	<b><u>326,274</u></b>
<b><u>Intermediary Sources</u></b>				
Mineral Leases	2,500	2,500	1,906	(594)
Cash in Lieu of Land Deduction	-	-	20,497	20,497
Secure Rural Funding Authority	<u>73,600</u>	<u>73,600</u>	<u>7,921</u>	<u>(65,679)</u>
<b><u>Total Intermediary Sources</u></b>	<b><u>76,100</u></b>	<b><u>76,100</u></b>	<b><u>30,324</u></b>	<b><u>(45,776)</u></b>
<b><u>State Sources</u></b>				
Equalization	1,968,800	1,968,800	1,968,792	(8)
Small Rural School Add'l Funding	-	-	134,218	134,218
State ELPA	-	-	1,462	1,462
ELPA	-	-	1,017	1,017
Small Attendance Center	134,200	134,200	106,776	(27,424)
Transportation	59,300	59,300	57,906	(1,394)
Read Act	20,000	20,000	38,177	18,177
Library Grant	-	-	3,500	3,500
At Risk Supplemental	-	-	5,901	5,901
State Grants BOCES	<u>8,800</u>	<u>8,800</u>	<u>13,399</u>	<u>4,599</u>
<b><u>Total State Sources</u></b>	<b><u>2,191,100</u></b>	<b><u>2,191,100</u></b>	<b><u>2,331,148</u></b>	<b><u>140,048</u></b>
<b><u>TOTAL REVENUES</u></b>	<b><u>4,739,043</u></b>	<b><u>4,739,043</u></b>	<b><u>5,159,589</u></b>	<b><u>420,546</u></b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
For the Year Ended June 30, 2017**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>EXPENDITURES</u></b>				
<b><u>Instruction</u></b>	<b><u>2,389,586</u></b>	<b><u>2,389,586</u></b>	<b><u>2,371,234</u></b>	<b><u>18,352</u></b>
<b><u>Supporting Services:</u></b>				
Students	113,550	113,550	161,662	(48,112)
Instructional Staff	2,750	2,750	36,049	(33,299)
General Administration	245,500	245,500	232,049	13,451
School Administration	394,225	394,225	399,379	(5,154)
Business Services	205,200	205,200	207,747	(2,547)
Operations and Maintenance	579,425	579,425	596,311	(16,886)
Student Transportation	219,650	219,650	245,031	(25,381)
Central Support	189,032	189,032	158,180	30,852
Other Support	126,268	126,268	126,723	(455)
Community Support	-	-	4,347	(4,347)
<u>Total Supporting Services</u>	<u>2,075,600</u>	<u>2,075,600</u>	<u>2,167,478</u>	<u>(91,878)</u>
 <b><u>Appropriated Reserves</u></b>	 <b><u>1,907,813</u></b>	 <b><u>1,907,813</u></b>	 <b><u>-</u></b>	 <b><u>1,907,813</u></b>
 <b><u>TOTAL EXPENDITURES</u></b>	 <b><u>6,372,999</u></b>	 <b><u>6,372,999</u></b>	 <b><u>4,538,712</u></b>	 <b><u>1,834,287</u></b>
 <b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	 <b><u>(1,633,956)</u></b>	 <b><u>(1,633,956)</u></b>	 <b><u>620,877</u></b>	
 <b><u>OTHER FINANCING SOURCES (USES)</u></b>				
Transfers In (Out)	(263,200)	(263,200)	(263,200)	-
<u>Total Other Financing Sources (Uses)</u>	<u>(263,200)</u>	<u>(263,200)</u>	<u>(263,200)</u>	<u>-</u>
 <b><u>Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses</u></b>	 <b><u>(1,897,156)</u></b>	 <b><u>(1,897,156)</u></b>	 <b><u>357,677</u></b>	
 <b><u>FUND BALANCE, Beginning</u></b>	 <b><u>1,897,156</u></b>	 <b><u>1,897,156</u></b>	 <b><u>1,897,156</u></b>	
 <b><u>FUND BALANCE, Ending</u></b>	 <b><u>-</u></b>	 <b><u>-</u></b>	 <b><u>2,254,833</u></b>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
GRANTS – SPECIAL REVENUE FUND  
For the Year Ended June 30, 2017**

	<u>Budget Amounts</u>		<u>Variance with</u>
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>Final Budget- Favorable (Unfavorable)</u>
<b><u>REVENUES:</u></b>			
Local Sources	1,000	-	(1,000)
State Sources	2,000	72,000	70,000
Federal Sources	<u>445,908</u>	<u>367,432</u>	<u>(78,476)</u>
<b><u>Total Revenues</u></b>	<u>448,908</u>	<u>439,432</u>	<u>(9,476)</u>
<b><u>EXPENDITURES:</u></b>			
<b><u>Instruction</u></b>	<u>448,908</u>	<u>310,470</u>	<u>138,438</u>
<b><u>Support Services:</u></b>			
Instructional Staff	-	101,222	(101,222)
School Administration	-	<u>25,977</u>	<u>(25,977)</u>
<b><u>Total Support Services</u></b>	-	<u>127,199</u>	<u>(127,199)</u>
<b><u>Community Services:</u></b>			
Education for Adults	-	<u>1,763</u>	<u>(1,763)</u>
<b><u>Total Community Services</u></b>	-	<u>1,763</u>	<u>(1,763)</u>
<b><u>Total Expenditures</u></b>	<u>448,908</u>	<u>439,432</u>	<u>9,476</u>
<b><u>REVENUES OVER (UNDER)</u></b>			
<b><u>EXPENDITURES</u></b>	-	-	
<b><u>FUND BALANCE, Beginning</u></b>	-	-	
<b><u>FUND BALANCE, Ending</u></b>	-	-	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
District's proportion of the net pension liability (asset)	0.0632%	0.0648%	0.0693%	0.0711%	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset)	\$18,809,938	\$9,903,932	\$9,393,782	\$9,064,806	-	-	-	-	-	-
District's covered-employee payroll	\$2,936,339	\$2,825,918	\$2,901,147	\$2,746,805	-	-	-	-	-	-
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	641%	350%	324%	330%	-	-	-	-	-	-
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.80%	64.06%	-	-	-	-	-	-

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**For The Last 10 Fiscal Years (As Available)**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Contractually required contributions	\$ 537,922	\$ 501,438	\$ 496,814	\$ 448,202	\$ 439,287	-	-	-	-	-
Contributions in relation to the contractually required contributions	<u>\$ (537,922)</u>	<u>\$ (501,438)</u>	<u>\$ (489,859)</u>	<u>\$ (439,669)</u>	<u>\$ (422,197)</u>	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ 6,955	\$ 8,533	\$ 17,090	-	-	-	-	-
District's covered-employee payroll	\$2,936,339	\$2,825,918	\$2,901,147	\$2,746,805	\$2,799,714	-	-	-	-	-
Contributions as a percentage of covered-employee payroll	18.32%	17.74%	16.89%	16.01%	15.08%	-	-	-	-	-

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

**OTHER SUPPLEMENTARY INFORMATION**

**INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES**

## **COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES**

### **Bond Redemption Debt Service Fund**

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

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

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

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

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

### **Capital Projects Funds**

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
BOND REDEMPTION DEBT SERVICE FUND  
For the Year Ended June 30, 2017**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>REVENUES</u></b>			
Property Taxes	415,650	418,951	3,301
Interest Earnings	50	154	104
<u>Total Revenues</u>	415,700	419,105	3,405
<b><u>EXPENDITURES:</u></b>			
Debt Service:			
Principal Retirement	335,000	335,000	-
Interest and Fiscal Charges	80,700	80,556	144
Appropriated Reserves	673,864	-	673,864
<u>Total Expenditures</u>	1,089,564	415,556	674,008
<b><u>EXCESS OF REVENUES OVER EXPENDITURES</u></b>	(673,864)	3,549	
<b><u>FUND BALANCES, Beginning</u></b>	673,864	673,864	
<b><u>FUND BALANCES, Ending</u></b>	-	677,413	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**June 30, 2017**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Student Activity</u>	<u>Food Services</u>	<u>Capital Reserve</u>	
<b><u>ASSETS</u></b>				
Cash	8,368	20,322	191,350	220,040
Investments	-	-	114,587	114,587
Accounts Receivable	-	60,356	-	60,356
Due From Other Funds	2,195	15,944	77,066	95,205
Inventories	-	7,389	-	7,389
<u>Total Assets</u>	<u>10,563</u>	<u>104,011</u>	<u>383,003</u>	<u>497,577</u>
 <b><u>LIABILITIES AND FUND BALANCES</u></b>				
<b><u>Liabilities:</u></b>				
Accounts Payable	1,512	785	-	2,297
Accrued Salaries	-	-	-	-
Due To Other Funds	164	587	-	751
<u>Total Liabilities</u>	<u>1,676</u>	<u>1,372</u>	<u>-</u>	<u>3,048</u>
 <b><u>Fund Balances:</u></b>				
<b><u>Nonspendable:</u></b>				
Inventories	-	7,389	-	7,389
<b><u>Restricted:</u></b>				
Food Services	-	95,250	-	95,250
<b><u>Committed:</u></b>				
Capital Outlay	-	-	383,003	383,003
<b><u>Assigned:</u></b>				
Pupil Activity	8,887	-	-	8,887
Unassigned	-	-	-	-
<u>Total Fund Balance</u>	<u>8,887</u>	<u>102,639</u>	<u>383,003</u>	<u>494,529</u>
 <b><u>TOTAL LIABILITIES &amp; FUND BALANCES</u></b>				
	<u>10,563</u>	<u>104,011</u>	<u>383,003</u>	<u>497,577</u>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>		<u>Capital Projects Funds</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Student Activity</u>	<u>Food Services</u>	<u>Capital Reserve</u>	
<b>REVENUES</b>				
Other Local Sources	97,519	31,830	1,062	130,411
State Sources	-	2,548	-	2,548
Federal Sources	-	271,286	-	271,286
<u>Total Revenues</u>	<u>97,519</u>	<u>305,664</u>	<u>1,062</u>	<u>404,245</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
Instruction	196,631	-	-	196,631
<b>Support Services:</b>				
Transportation	-	-	-	-
Capital Outlay	-	-	42,050	42,050
Food Service	-	327,754	-	327,754
Debt Service	-	-	77,066	77,066
<u>Total Expenditures</u>	<u>196,631</u>	<u>327,754</u>	<u>119,116</u>	<u>643,501</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>				
	<u>(99,112)</u>	<u>(22,090)</u>	<u>(118,054)</u>	<u>(239,256)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Sale of Fixed Assets	-	-	-	-
Transfer In (Out)	43,500	27,700	192,000	263,200
<u>Total Other Financing Sources (Uses)</u>	<u>43,500</u>	<u>27,700</u>	<u>192,000</u>	<u>263,200</u>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(55,612)</b>	<b>5,610</b>	<b>73,946</b>	<b>23,944</b>
<b>FUND BALANCES, Beginning</b>	<b>64,499</b>	<b>97,029</b>	<b>309,057</b>	<b>470,585</b>
<b>FUND BALANCES, Ending</b>	<b>8,887</b>	<b>102,639</b>	<b>383,003</b>	<b>494,529</b>

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
PUPIL ACTIVITY – SPECIAL REVENUE FUND  
For the Year Ended June 30, 2017**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>REVENUES:</u></b>			
Pupil Activity Revenues	92,600	97,519	4,919
<u>Total Revenues</u>	<u>92,600</u>	<u>97,519</u>	<u>4,919</u>
<b><u>EXPENDITURES:</u></b>			
<b>Instruction:</b>			
Salaries	32,000	61,361	(29,361)
Benefits	7,000	12,593	(5,593)
PS Professional	25,000	240	24,760
PS Other	-	30,545	(30,545)
Supplies and Materials	59,600	82,037	(22,437)
Property	5,000	4,200	800
Other	7,500	5,655	1,845
<u>Total Instruction</u>	<u>136,100</u>	<u>196,631</u>	<u>(60,531)</u>
Operating Reserves	64,499	-	64,499
<u>Total Expenditures</u>	<u>200,599</u>	<u>196,631</u>	<u>3,968</u>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b>(107,999)</b>	<b>(99,112)</b>	
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In	43,500	43,500	-
<u>Total Other Financing Sources (Uses)</u>	<u>43,500</u>	<u>43,500</u>	<u>-</u>
<b><u>REVENUES OVER (UNDER) OTHER FINANCING</u></b> <b><u>SOURCES (USES) AND EXPENDITURES</u></b>	<b>(64,499)</b>	<b>(55,612)</b>	
<b><u>FUND BALANCE, Beginning</u></b>	<b><u>64,499</u></b>	<b><u>64,499</u></b>	
<b><u>FUND BALANCE, Ending</u></b>	<b><u>-</u></b>	<b><u>8,887</u></b>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE  
BUDGET (GAAP BASIS) AND ACTUAL  
FOOD SERVICE – SPECIAL REVENUE FUND  
For the Year Ended June 30, 2017**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
<b><u>REVENUES</u></b>			
<b><u>Local Sources</u></b>			
Food Sales	13,700	31,830	18,130
<u>Total Local Sources</u>	<u>13,700</u>	<u>31,830</u>	<u>18,130</u>
<b><u>State Sources</u></b>			
State Match	2,400	2,548	148
Smart Start	700	-	(700)
PK-2 Reduced Breakfast	700	-	(700)
<u>Total State Sources</u>	<u>3,800</u>	<u>2,548</u>	<u>(1,252)</u>
<b><u>Federal Sources</u></b>			
School Lunches	188,200	251,472	63,272
Commodities	3,000	19,814	16,814
<u>Total Federal Sources</u>	<u>191,200</u>	<u>271,286</u>	<u>80,086</u>
<b><u>TOTAL REVENUES</u></b>	<b><u>208,700</u></b>	<b><u>305,664</u></b>	<b><u>96,964</u></b>
<b><u>EXPENDITURES</u></b>			
Salaries	99,700	114,446	(14,746)
Employee Benefits	37,500	48,498	(10,998)
Purchased Services	3,500	1,359	2,141
Food and Milk	169,029	149,382	19,647
Other Supplies	23,700	14,069	9,631
<b><u>TOTAL EXPENDITURES</u></b>	<b><u>333,429</u></b>	<b><u>327,754</u></b>	<b><u>5,675</u></b>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b>(124,729)</b>	<b>(22,090)</b>	
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Operating Transfers In	27,700	27,700	-
<b><u>TOTAL OTHER FINANCING SOURCES (USES)</u></b>	<b><u>27,700</u></b>	<b><u>27,700</u></b>	<b><u>-</u></b>
<b><u>REVENUES OVER (UNDER) OTHER FINANCING SOURCES (USES) AND EXPENDITURES</u></b>	<b>(97,029)</b>	<b>5,610</b>	
<b><u>FUND BALANCE, Beginning</u></b>	<b><u>97,029</u></b>	<b><u>97,029</u></b>	
<b><u>FUND BALANCE, Ending</u></b>	<b><u>-</u></b>	<b><u>102,639</u></b>	

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

**HUERFANO SCHOOL DISTRICT NUMBER RE-1  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL (GAAP BASIS)  
CAPITAL RESERVE – CAPITAL PROJECTS FUND  
For the Year Ended June 30, 2017**

	<u>Budget Amounts</u> <u>Original &amp; Final</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget-</u> <u>Favorable</u> <u>(Unfavorable)</u>
<b><u>REVENUES:</u></b>			
Earnings on Investments	300	1,062	762
<u>Total Revenues</u>	<u>300</u>	<u>1,062</u>	<u>762</u>
<b><u>EXPENDITURES:</u></b>			
Facilities and Acquisitions	30,300	190	30,110
Equipment & Vehicles	294,500	41,860	252,640
Debt Service:			
Interest Capital Lease	-	2,063	(2,063)
Principal Capital Lease	77,100	75,003	2,097
Appropriated Reserve	99,457	-	99,457
<u>Total Expenditures</u>	<u>501,357</u>	<u>119,116</u>	<u>382,241</u>
<b><u>REVENUES OVER (UNDER) EXPENDITURES</u></b>	<b><u>(501,057)</u></b>	<b><u>(118,054)</u></b>	
<b><u>OTHER FINANCING SOURCES (USES)</u></b>			
Transfers In (Out)	192,000	192,000	-
<u>Total Other Financing Sources (Uses)</u>	<u>192,000</u>	<u>192,000</u>	<u>-</u>
<b><u>REVENUES OVER (UNDER) OTHER</u></b> <b><u>FINANCING SOURCES (USES)</u></b>	<b><u>(309,057)</u></b>	<b><u>73,946</u></b>	
<b><u>FUND BALANCE, Beginning</u></b>	<b><u>309,057</u></b>	<b><u>309,057</u></b>	
<b><u>FUND BALANCE, Ending</u></b>	<b><u>-</u></b>	<b><u>383,003</u></b>	

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

**STATE REQUIRED SCHEDULES**

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

**Bolded Balance Sheet**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1390 - HUERFANO RE-1  
 Fiscal Year 2016-17  
 Colorado School District/BOCES

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>				
10 General Fund	1,897,156	4,737,108	4,400,189	2,234,075
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	159,281	138,523	20,758
Sub-Total	1,897,156	4,896,389	4,538,713	2,254,833
11 Charter School Fund	0	0	0	0
20.36-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
21 Food Service Spec. Revenue Fund	97,029	333,364	327,754	102,639
22 Govt Designated-Purpose Grants Fund	0	439,432	439,432	0
23 Pupil Activity Special Revenue Fund	64,499	141,019	196,631	8,887
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	673,864	419,105	415,556	677,413
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	309,057	193,062	119,116	383,003
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
<b>Totals</b>	<b>3,841,036</b>	<b>6,423,777</b>	<b>6,077,503</b>	<b>3,028,774</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
54 (63) Risk-Related Activity Fund	0	0	0	0
60.05-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL



**Colorado Department of Education**  
**Bolded Balance Sheet Report**  
 District: 1390 - HUERFANO RE-1  
 Fiscal Year 2016-17  
 Colorado School District/BOCES

ASSETS	Governmental						Proprietary						Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	2,594,052	0	0	23,944	0	20,323	654,224	305,937	0	0	0	0	0	0	3,598,479
Taxes Receivable (8121,8122)	164,978	0	0	0	0	0	28,136	0	0	0	0	0	0	0	193,114
Interfund Loans Receivable (8131,8132)	109,509	0	20,758	2,359	0	15,944	10,716	77,066	0	0	0	0	0	0	236,352
Grants Accounts Receivable (8142)	0	0	0	189,745	0	60,356	0	0	0	0	0	0	0	0	250,101
Other Receivables (8151-8154,8161)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Inventories (8171,8172,8173)	0	0	0	0	0	7,389	0	0	0	0	0	0	0	0	7,389
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Assets</b>	<b>2,868,539</b>	<b>0</b>	<b>20,758</b>	<b>216,048</b>	<b>0</b>	<b>104,011</b>	<b>693,075</b>	<b>383,003</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,285,434</b>



Fiduciary

Proprietary

Governmental

	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20-22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45-47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50-52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	7,389	0	0	0	0	0	0	0	0	7,389
Restricted Fund Balance 6720	0	0	0	0	0	95,250	677,413	0	0	0	0	0	0	0	772,663
TABOR 3% Emergency Reserve 6721	160,850	0	0	0	0	0	0	0	0	0	0	0	0	0	160,850
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	20,758	0	0	0	0	0	0	0	0	0	0	0	20,758
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Committed Fund Balance 6750	0	0	0	0	0	0	0	383,003	0	0	0	0	0	0	383,003
Assigned Fund Balance 6760	0	0	0	8,887	0	0	0	0	0	0	0	0	0	0	8,887
Unassigned Fund Balance 6770	2,073,225	0	0	0	0	0	0	0	0	0	0	0	0	0	2,073,225
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>2,234,075</b>	<b>0</b>	<b>20,758</b>	<b>8,887</b>	<b>0</b>	<b>102,639</b>	<b>677,413</b>	<b>383,003</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3,426,774</b>

	General Funds 10-12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20-22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45-47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50-52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Total Liabilities & Fund Equity	2,868,539	0	20,758	216,048	0	104,011	693,075	383,003	0	0	0	0	0	0	4,285,434

For Each Fund Type:  
Do Assets=Liability+Fund Equity