

**DURANGO SCHOOL DISTRICT 9-R
DURANGO, COLORADO**

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2017

Prepared by the Finance Department

*Jennifer Macho-Seekins, Director of Finance
Carla Hotter, Supervisor of Accounting*



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**Wall,
Smith,
Bateman** Inc.

Certified Public Accountants

DURANGO SCHOOL DISTRICT 9-R

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November 1, 2017

Board of Education and Citizens
Durango School District 9-R
201 E. 12th Street
Durango, CO 81301

To the Board of Education, Citizens, Employees and Students of Durango School District 9-R:

Introduction

The following comprehensive annual financial report of Durango School District 9-R presents the financial situation of the District as of June 30, 2017 and the results of its operations for the 2016-2017 fiscal year. This report is prepared in accordance with governmental accounting principles generally accepted in the United States and audited in accordance to generally accepted auditing standards and Government Auditing Standards by a firm of licensed certified public accountants. Colorado Revised Statute 22-44-304 requires Durango School District 9-R to publish a complete set of audited financial statements.

This report consists of management's representation concerning the finances of the District. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, the management of the District, through its Operational Expectations, has established internal policies, procedures and controls. These safeguards are designed to protect the District's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the District's financial statements in conformity to generally accepted accounting principles. As management, we assert that, to the best of our knowledge and belief, this report is complete and reliable in all material aspects.

These financial statements have been audited by Wall, Smith, Bateman Inc., a firm of licensed certified public accountants. The purpose of the independent audit is to provide reasonable assurance that the District's financial statements for the 2016-2017 fiscal year are free of material misstatement. The independent audit also includes a "single audit" designed to meet the needs of federal grantor agencies.

The independent auditor has issued an unmodified opinion in the District's financial statements for the year ended June 30, 2017, based upon their audit.

Report Format

The report is prepared in accordance with Statement No. 34 of the Governmental Accounting Standards Board (GASB). Statement No. 34 requires management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a *Management's Discussion and Analysis* (MD&A).

This financial report is presented in five sections: introductory, financial, statistical, single audit and Colorado Department of Education Compliance. The introductory section contains this letter of introduction, that includes the District leadership structure and organizational chart. The financial section includes the independent auditor's report, Management's Discussion and Analysis, basic financial statements, required supplementary information, and supplementary information. The statistical section contains supplemental financial and other statistical information that is generally presented on a multi-year basis. The single audit section reports not only on the fair presentation of the financial statements but also on legal compliance and internal control. The Colorado Department of Education Compliance section address specific state requirements and expectations for our district.

Organization Background

Durango School District 9-R is a high-performing school district located in western La Plata County in Southwest Colorado. The town of Durango, and its beautiful surroundings, not only offers families in the area many choices for education, but also is a nationally recognized epicenter for recreation and business development.

First established in 1881 to serve the new railroad town of Durango, the School District was the ninth in La Plata County. In the late 1950s, the District reorganized and incorporated 12 rural school districts to form the "R" in 9-R --- District 9-Reorganized. Today's 9-R is a community committed to innovation and excellence in education.

9-R prides itself on its strong academic programs, and as a result, the district has adopted academic goals for students that exceed state and federal standards. Because of the district's comprehensive approach to student achievement, over all the district scores above state average on state and national assessments.

Durango School District 9R includes seven elementary schools, two middle schools, two high schools, a shared school program, a charter school and an online school. Our 363 teachers and 303 support staff serve approximately 5,000 students.

In 2016, the voters approved a mill levy override and a proportional share of the proceeds will be shared with our two local non-District charter schools.

A recent Moody's rating review downgraded the District debt rating to Aa3. The primary cause of the downgrade is our unfunded retirement liability because of GASB 68. GASB 68 is an attempt to improve the previous guidance governing state and local government pension reporting. While the updated standards sought to increase transparency, some problems with measurement remain.

Local Economy

The following economic data was obtained from the 2016 update from Region 9 and the 2017 Southwest Business Forum Update.

Questions about the strength of labor markets, real income, and economic output are tempering the optimism of local economists. The local "macro-economy" remains in a holding pattern, and La Plata County is seeing still weaker real income. With local labor markets, we are experiencing mixed signals with a variety of variables including demographics, aging population, real estate and the pace of construction and increased tourism.

Services, government, construction and retail sectors have accounted for the largest proportion of the jobs in La Plata County since 2001. In 2009, jobs in many sectors began to decline as the region entered the national recession. From 2007 to 2012 there was a 7% decline in overall employment, with the construction sector being the hardest hit (-34%). Post-recession, the region's economic conditions have stabilized and economic confidence is currently good, as evidenced by a 9% increase in the number of jobs from 2012 to 2016, and a 2% increase from 2015 to 2016.

The strongest job growth in La Plata County from 2015 to 2016 was seen in administrative and waste services (12%), manufacturing (10%) and the art, entertainment and recreation (10%). Declines during that time period were seen in mining (-6%), wholesale trade (-1%), information (-1%) and professional and business services (1%). The highest average annual wages were in management of companies and mining, the lowest wages are in arts entertainment and recreation, and accommodation and food services. Wage and salary employment accounts for 80% of jobs, while proprietors (owners) account for 20%.

State Economic Factors

The following economic data was obtained from the September 2016 revenue forecast for the State of Colorado, prepared by the Governor's Office of State Planning and Budgeting.

Colorado's economy remains in expansion. La Plata County has among the lowest unemployment rates in the state. The oil and gas industry's deep contraction that contributed to slowing in the overall economy appears to have reached a bottom, though industry activity is expected to remain at subdued levels. Even so, the absence of the large decline in spending in the economy going forward will help overall economic conditions. Further, data shows renewed growth in new business formation in Colorado, a key ingredient for economic and job growth. Sustained growth in housing construction and home sales, albeit still at comparatively low levels, will also add to employment and spending in the economy. However, due in part to continued tight labor market conditions, the State's economic growth will remain at a more moderate pace than earlier in the expansion.

New housing construction is at persistently low levels, which will add continued upward pressure to housing costs. New housing construction dropped to low levels during the Great Recession, and construction activity has rebounded only gradually. It is taking time for the housing industry to rebuild its capacity for new housing development in the aftermath of its massive contraction during the Great Recession. The industry continues to experience substantial labor shortages and many builders went out of business. Further, builders report higher costs for homebuilding, and financing for housing development and home buying remains more cautious after the housing boom and bust in the 2000s. The gradual rebound from low levels will cause continued upward pressure on housing costs and on rental housing costs.

Gross Domestic Product (GDP) is a barometer for the economy's overall performance and reflects the value of final output in the U.S. The U.S. economy posted a moderate expansion of 2.6 percent in 2015 in the face of slow global growth. The pace of growth is expected to moderate further in 2016 to 1.5 percent, but is projected to increase to 2.2 percent in 2017. Colorado's GDP also shows growth despite the contraction in industrial sectors, particularly the oil and gas industry. The U.S. Bureau of Economic Analysis recently reported that Colorado's real, or inflation-adjusted, GDP grew 3.0 percent in the first quarter of 2016.

Personal income growth in Colorado slowed to 5.1 percent in 2015 from a 6.2 percent rate in 2014, largely due to slowing employment growth and especially the oil and gas industry's contraction. Personal income growth is expected to moderate further in 2016 as the energy sector continues to weigh on the economy; statewide income growth is projected to increase to 5.2 percent in 2017. Nationwide, personal income growth increased 4.4 percent in 2015, and is expected to slow to 3.1 percent in 2016.

A tighter labor market and gradual wage increases is projected to allow personal income growth to pick up through the rest of 2017. Per-capita income in Colorado increased to \$50,409 in 2015 and is expected to grow 3.0 percent to \$51,939 in 2016. In the U.S., per-capita income increased to \$48,095 in 2015 and is projected to grow 2.3 percent to \$49,208 in 2016. Wage and salary growth in Colorado moderated in 2015 to 5.6 percent, largely due to the loss of relatively high-paying oil and gas jobs.

Growth is expected to decrease slightly in 2016 to 5.4 percent, but is projected to increase to 5.5 percent in 2017. Wage and salary income for the nation increased 5.1 percent in 2015. Moderating employment growth and the slowdown in the industrial sector is resulting in wages and salary growth of 3.5 percent in 2016. Higher growth in wage levels is projected to push total wage and salary income to increase 5.4 percent in 2017.

Relatively high in-migration rates pushed Colorado's population growth rate to 1.9 percent in 2015, over double the national rate. A similar trend is expected to continue in 2016, as the State is expected to add 67,000 people through net migration. The State's total population is projected to reach 5.75 million by 2018. The nation's population growth rate is expected to remain steady at about 0.8 percent per year, and the population is projected to reach 328.8 million by 2018.

The State constitution requires that one-third of one percent of taxable income from Colorado taxpayers be credited to the State Education Fund. In addition to this money, policies enacted over the past few years have transferred other State general appropriations money to the State Education Fund. The State Education Fund plays an important role in the State's budget. Under the State constitution, the State Education Fund helps fund preschool through 12th grade education, the largest State program. Therefore, higher or lower spending from the State Education Fund generally affects general State appropriations in order to support the targeted level of school funding. Decisions in one year affect the range of choices in the next year because they impact the available balance in the State Education Fund for future spending and general appropriations availability for other programs.

Tax revenue to the State Education Fund increased 0.5 percent in fiscal year 2015-2016 and is expected to increase 4.6 percent and 6.6 percent in fiscal year 2016-2017 and fiscal year 2017-2018, respectively. Because this revenue is derived from taxable income, it follows the trends in individual income and corporate income tax revenue collections. The absence of a decline in income in the State from the contraction in the oil and gas industry and fewer headwinds on corporate taxable income will help generate modestly higher State Education Fund revenue growth for fiscal year 2016-2017 and fiscal year 2017-2018.

Transfers of money from the State General Fund to the State Education Fund in prior years have enabled the State Education Fund to support a larger share of education funding than it has historically. However, this larger share is drawing down the State Education Fund's

balance. In fiscal year 2015-2016, the year-end balance in the State Education Fund dropped 55.8 percent from its level in fiscal year 2014- 2015, and a larger drop of 65.7 percent is expected in fiscal year 2016-2017 when the projected ending balance is projected to be just over \$100.0 million.

Under current law, total State General Fund and State Education Fund expenditures combined are budgeted to increase 1.1 percent in fiscal year 2016-2017. These expenditures are projected to be able to grow just 0.3 percent in fiscal year 2017-2018, assuming that the negative factor in the School Finance Act is maintained at its current level. These lower growth rates are due in part to the smaller amount of funding available from the State Education Fund to support school finance.

2016-2017 Leadership Structure (as of June 30, 2017)

Each of Colorado's 178 school districts is governed by a Board of Education comprised of people elected by the residents of the district. It is the Board's responsibility to establish and maintain a system of education in the district, as prescribed by the constitution and laws of the state. School board members are community volunteers who give freely of their time to govern public schools. Durango School District 9-R is governed by a five-member board.

The Durango 9-R School Board chose to use Coherent Governance as its governance model approximately ten years ago. This model helps to clarify the roles of both the school board (policy making and oversight) and the superintendent (academic and management leader).

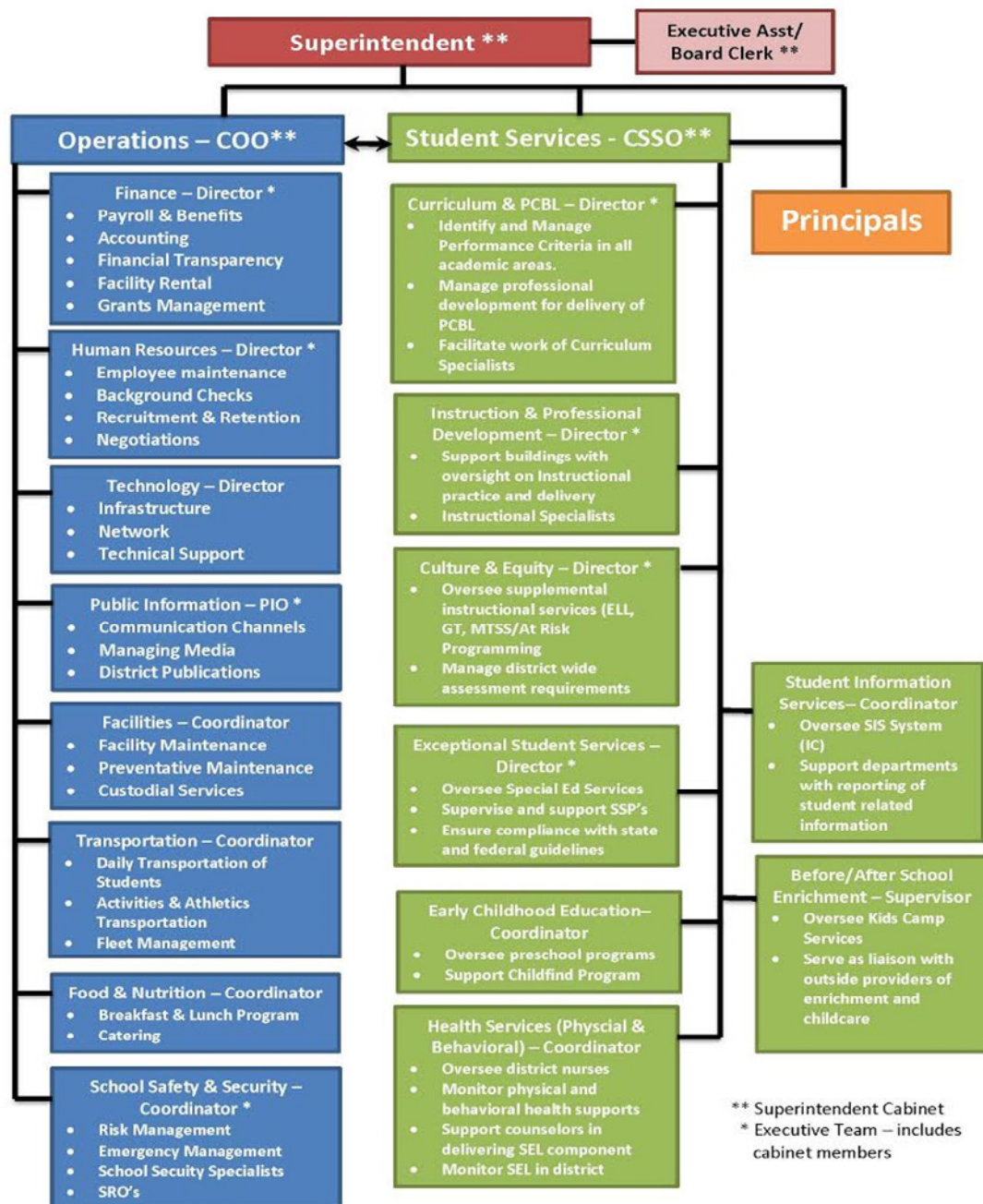
Under Coherent Governance, the Board is responsible for clearly defining what students should know and be able to do by the time they graduate from high school. The Board consciously stays out of the district's day-to-day management decisions and adopts policies that give the superintendent the authority to select the resources, teachers, and educational programs that he or she believes best serve student-learning needs. The Board takes a strong oversight role by holding the superintendent accountable for ensuring that students are making reasonable progress toward meeting the district's educational goals.

Board of Education

Andy Burns	President
Nancy Stubbs	Vice President
Stephanie Moran	Secretary
Kim Martin	Board Member
Matt Sheldon	Board Member

Administration

Dan Snowberger	Superintendent
Jackie Oros	Chief Student Services Officer
Victor Figueroa	Chief Operations Officer
Jennifer Macho-Seekins	Director of Finance
Laura Galido	Director of Human Resources



Conformance with State Accounting Regulations

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles.

District Expectation for Financial Transparency

It is very important to Durango School District 9-R that we use our resources in the most efficient manner to meet the goals of the community. It is also a core value of the Finance Department that we are transparent and have appropriate controls in place to make sure we create accurate and timely financial statements and maintain effective and efficient administrative controls.

Acknowledgements

This report could not have been possible without the dedicated services of the District's Finance Department. We would like to express our sincere gratitude to all members of the District who assisted and contributed to the preparation of this report as well as to dedicated and professional services from the independent auditors from Wall, Smith & Bateman.

We would also like to express our appreciation to the Durango School District 9-R Board of Education for their continued support in leading the District's finances in a responsible and prudent manner.

Respectfully submitted,



Daniel J. Snowberger
Superintendent of Schools



Jennifer Macho-Seekins
Director of Finance



Wall,
Smith,
Bateman Inc.

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Durango School District 9-R
Durango, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango School District 9-R (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows 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, and pension information on pages xi through xx and 32-34 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual fund financial schedules, statistical section, and the Colorado School District Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual fund financial schedules, the schedule of expenditures of federal awards, and the Colorado School District Auditor's Integrity Report are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 schedules, the schedule of expenditures of federal awards, and the Colorado School District Auditor's Integrity Report are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 05, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 05, 2017

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

This discussion and analysis of Durango School District 9-R's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2017 are as follows:

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(46,436,056) (net position). Without the inclusion of the \$176,752,181 pension liability, and the related deferred inflows and outflows of resources of \$3,496,018 and \$68,066,771, respectively, the unrestricted net position would be \$11,227,254, to meet the District's ongoing obligations to citizens and creditors.
- The District's total net position decreased by \$22,240,306. The significant change is the result of pension reporting requirements from the Governmental Accounting Standards Board (GASB). Pension expense of \$27,271,634 has been recognized as the District's proportionate share of the net pension liability changes reported by the Colorado Public Employees' Retirement Association (PERA) – School Division Trust Fund. Without the inclusion of the pension expense, the District experienced an increase in net position of \$5,031,328.
- Total general revenues increased \$4,179,186 of which property tax revenues decreased \$229,005 or 1% and state equalization aid increased \$4,508,167 or 22%. This increase in state equalization is being driven by Colorado Connections Academy.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balance of \$20,605,089 an increase of \$188,182 in comparison with the prior year. Of the combined fund balance, approximately 13.87% or \$2,858,934 is available for spending at the District's discretion (unassigned fund balance).
- At the end of the current fiscal year, the total of the non-spendable, restricted, committed, assigned, and unassigned components of fund balance for the general fund was \$8,386,669 or approximately 18.96% of total general fund expenditures.
- The District's total outstanding long-term debt decreased by \$6,644,812 to \$49,291,422 during the current fiscal year as the District continues to pay down its debt.
- The District increased Instructional Service expenditures by \$17,626,461 or 56.57% and Support Service expenditures increased by \$10,779,878 or 47.3%

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

Financial Statement Overview

This annual report consists of a series of financial statements and notes to those financial statements. These statements are organized so the reader can understand the Durango School District 9-R as a financial whole, or as an entire operating entity.

The basic financial statements are comprised of three components: 1) district-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also includes required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The district-wide financial statements are designed to provide the reader of the District's comprehensive annual financial report a broad overview of the financial activities in a manner similar to a private sector business. The district-wide financial statements include the statement of net position and the statement of activities.

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

The statement of activities presents information showing how the District's net position changed during the 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused sick leave).

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities), and from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the District include the General Fund, Capital Projects Fund, Governmental Designated Grants Fund, Interscholastic Activities Fund, Food Service Fund and Debt Service Fund. Business-type activities include the After School Enrichment Program Fund.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities and objectives. All district funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

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

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

The District maintains seven individual governmental funds. The major funds are the General Fund and the Debt Service Fund. They are presented separately in the fund financial statements with the remaining governmental funds combined into a single aggregated presentation labeled "other governmental funds". Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

Proprietary Funds. The District maintains two different types of proprietary funds, enterprise and internal service. Enterprise funds are used to report the same functions presented as the business-type activities in the district-wide financial statements. The District uses an enterprise fund to account for its' after school enrichment program. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for the self-funded portions of the employee health insurance and dental plans. Because this service predominantly benefits the governmental rather than the business-type function, it has been included within governmental activities in the district-wide financial statements. The fund financial statements of the proprietary funds provide the same information as the district-wide financial statements, only in more detail.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds are not reported in the district-wide financial statements because the resources of those funds are not available for the support of the District's programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The District maintains an agency type fiduciary fund. The agency fund reports resources held by the District in a custodial capacity.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the district-wide and fund financial statements.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District. The District adopts an annual appropriation budget for all its funds. Budgetary comparison schedules, with adopted and final revised budgets, have been provided for the General Fund and all other funds to demonstrate compliance with the budgeted amounts.

District-wide Overall Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$46,436,056 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets represents approximately \$43.5 million. The District uses these capital assets to provide educational services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$12.3 million of the District's net position represents resources that are subject to external restrictions on how they may be used.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

Durango School District 9-R
Condensed Statement of Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
<u>Assets</u>						
Current and Other Assets	30,323,476	30,206,554	25,430	35,029	30,348,906	30,241,583
Net Capital Assets	91,533,043	92,950,240	-	-	91,533,043	92,950,240
Total Assets	121,856,519	123,156,794	25,430	35,029	121,881,949	123,191,823
<u>Deferred Outflows of Resources</u>						
Pensions (Note 9)	68,066,771	11,589,687	-	-	68,066,771	11,589,687
Total Def. Outflows	68,066,771	11,589,687	-	-	68,066,771	11,589,687
<u>Liabilities</u>						
Current and Other Liabilities	13,793,233	13,337,208	23,010	25,574	13,816,243	13,362,782
Long -Term	219,072,515	141,729,518	-	-	219,072,515	141,729,518
Total Liabilities	232,865,748	155,066,726	23,010	25,574	232,888,758	155,092,300
<u>Deferred Inflows of Resources</u>						
Pensions (Note 9)	3,496,018	3,884,960	-	-	3,496,018	3,884,960
Total Def. Inflows	3,496,018	3,884,960	-	-	3,496,018	3,884,960
<u>Net Position</u>						
Net Investment in Capital						
Assets	43,572,599	37,014,006	-	-	43,572,599	37,014,006
Restricted	12,276,497	12,033,056	-	-	12,276,497	12,033,056
Unrestricted (Deficit)	(102,287,572)	(73,252,267)	2,420	9,455	(102,285,152)	(73,242,812)
Total Net Position	(46,438,476)	(24,205,205)	2,420	9,455	(46,436,056)	(24,195,750)

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The dependence upon tax revenue is apparent. Over 80.97% of governmental revenue is supported through property taxes, vehicle registrations, and state equalization. The District's combined net position, not including the Pension Liability of \$176,752,181, was larger on June 30, 2017 than it was the year before, increasing 90.47% to \$130,316,125. The combined net position, including the Pension Liability, decreased from the prior year to (\$46,436,056). Most of the underlying improvement in the District's financial position, excluding the accounting change for the pension liability, came from its governmental activities, specifically the reduction in long-term liabilities by \$6,644,812, the increase in revenue for Colorado Connections Academy, and the passing of the Mill Levy Override in November of 2016. While it appears the overall financial condition of the District has improved the accounting change from the pension liability makes any improvements less visible.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

The business-type activity of the District is the After School Enrichment Program. The After School Enrichment Program had a net loss of \$7,035 after transfers in from the General Fund.

Durango School District 9-R
Condensed Statement of Changes in Net Position from Operating Results

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues						
Charges for Services	1,202,262	1,264,208	249,024	319,874	1,451,286	1,584,082
Operating Grants and Contributions	4,243,764	3,752,647	-	-	4,243,764	3,752,647
Capital Grants and Contributions	17,000	2,331	-	-	17,000	2,331
General Revenues						
Taxes	28,819,200	28,936,827	-	-	28,819,200	28,936,827
State Equalization	25,383,015	20,874,848	-	-	25,383,015	20,874,848
Investment Earnings	133,426	46,438	-	-	133,426	46,438
Gain or Sale of Land		142,342	142,341			142,342
Miscellaneous	609,833	601,033	35,000	50,500	480,033	651,533
Total Revenues	60,408,500	55,620,674	426,365	370,374	60,527,724	\$55,991,048
Expenses						
Governmental Activities			-	-		
Instructional	48,940,646	31,160,154	-	-	48,940,646	31,160,154
Pupil Activities	9,311,883	5,999,118	-	-	9,311,883	5,999,118
Administration	6,197,572	3,921,263	-	-	6,197,572	3,921,263
Business Services	1,718,662	638,094	-	-	1,718,662	638,094
Maintenance and Operations	6,395,265	4,809,893	-	-	6,395,265	4,809,893
Transportation	2,414,032	1,490,801	-	-	2,414,032	1,490,801
Central Services	3,612,387	2,675,149	-	-	3,612,387	2,675,149
Food Service Operations	2,121,810	1,414,038	-	-	2,121,810	1,414,038
Other Supporting Services	507,601	143,115	-	-	507,601	143,115
Interest Charges	1,386,913	1,698,807	-	-	1,386,913	1,698,807
Business-Type Activities		-				
Food Service Operations						
After School Enrichment			291,059	361,132	291,059	361,132
Total Expenses	82,606,771	53,950,432	291,059	361,132	82,897,830	54,311,564
Net Revenues/(Expenses) before Transfers	(22,198,271)	1,670,242	(42,035)	(41,258)	(22,240,306)	1,628,984
Transfers	(35,000)	(50,500)	35,000	50,500	-	-
Change in Net Position	(22,233,271)	1,619,742	(7,035)	9,242	(22,240,306)	1,628,984
Net Position, Beginning of Year	(24,205,205)	(25,824,947)	9,455	213	(24,195,750)	(25,824,734)
Net Position, End of Year	(46,438,476)	(24,205,205)	2,420	9,455	(46,436,056)	(24,195,750)

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

Financial Analysis of Governmental Funds

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

At June 30, 2017, the District's governmental funds reported combined fund balances of \$20,605,089 an increase of \$188,182 in comparison with the prior year. Approximately \$2,858,934 or 13.87% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$77,937 2) restricted for particular purposes \$12,276,497 3) committed for particular purposes \$4,951,602 or 4) assigned for particular purposes \$440,119.

The General Fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,858,934 while total fund balance increased to \$8,386,669. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 6.46% of total General Fund expenditures, while total fund balance represents approximately 18.96% of the same amount.

General Fund Budgeting Highlights

The District's budget is prepared according to Colorado State law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Budget Resolutions are approved by the Board of Education in January and when needed. In reviewing budget to actual variance, the following criteria have been set to determine variances that are significant: line item variance amounts (amended budget to actual) that are greater than 10% of the corresponding budget for that line item and greater than .1% of total budgeted fund revenue or expense amount. The criteria creates high standards for accuracy and financial credibility in budgeting.

A review of total actual revenues compared to the appropriations in the final budget yield variances totaling \$540,599 or 1.1% of total revenues, or we received .50% more in revenue than we had budgeted. Significant revenue variances were driven by an increase in vehicle registrations, additional other state money for Small Attendance Center and At Risk funding, higher payments for delinquent taxes, and rental revenues. Miscellaneous revenues were driven by increased donations and school managed fund raising for programs within the 12 Fund.

Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017

The most significant differences between the amended and actual revenues were as follows:

Revenues	Amended Revenues	Actual Revenues	Difference
Specific Ownership Tax	\$ 2,209,000	\$ 2,446,837	\$ 237,837
Other State	\$ 328,626	\$ 485,066	\$ 156,440
Local Sources	\$ 1,203,224	\$ 1,434,191	\$ 230,967
Misc. Revenues	\$ 44,467	\$ 179,170	\$ 134,703

A review of total actual expenditures compared to the appropriations in the final budget yield variances totaling \$873,792 below budget or 1.9% of total expenditures. A driving factor was budgeting for the use of more substitutes than were used, especially for professional development purposes. Several budgeted positions were also not filled or filled late in the year. These include custodial positions and an open position within the Finance department.

There were no significant differences between the amended and actual expenditures since no category had a budget line variance greater than 10% and .1% of the total budgeted expense amount.

Capital Assets and Debt Administration

Capital Assets

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 amounts to \$91,533,043 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The total change in the District's investment in capital assets for the current fiscal year was a decrease of \$1,417,197.

Major capital asset events during the current fiscal year included the following:

- Animas Valley Elementary: Installed wiring for wireless access points.
- Riverview Elementary: Installed Network switches and wireless access points and video door locks.
- Needham Elementary: Installed Network switches and wireless access points and video door locks. Started work on repairing the roof.
- Florida Mesa Elementary: Finished installing emergency back-up generators and wireless access points, and installed video door locks and intercom system

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017**

- Sunnyside Elementary: Completed upgrades to the kitchen, installed better network cables, installed an evaporative cooler and facilitated a GOCO grant to upgrade the playground.
- Park Elementary: Installed network wiring, video door locks, and a new water heater.
- Escalante Middle School: Installed wiring, an evaporative cooler and a new boiler system.
- Durango High School: Completed repairs to the roof, made accessibility to the building ADA compliant, build food distribution center, finished work on a new Stadium and track, re-wired the computer lab, and improved network wiring.
- Transportation: Mounted a pressure washer in the building for cleaning the buses.
- Administration Building: Installed new boiler, heating and AC units.

**Capital Assets (net of accumulated depreciation)
June 30, 2017**

	Governmental	Business-Type	Government
	Activities	Activities	Wide
Land and Improvements	\$9,714,078	-	\$9,714,078
Building and Improvements	78,818,012	-	\$78,818,012
Projects in Progress	353,873	-	\$353,873
Equipment and Vehicles	2,190,005	-	\$2,190,005
Computer Software	457,075	-	\$457,075
Total Capital Assets	<u>\$91,533,043</u>	<u>\$0</u>	<u>\$91,533,043</u>

Additional information on the District's capital assets can be found in Note 4 to the financial statements.

Long-term Debt

At June 30, 2017, the District had \$40,870,000 in general obligation bonds and \$3,970,062 in capital leases outstanding. In August 2012, the District entered into an energy conservation project funded through a long-term capital lease. The DHS stadium project was funded by a capital lease in June 2016. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

**Durango School District 9-R
Management's Discussion and Analysis
For the fiscal year ended June 30, 2017**

Economic Factors and Next Year's Budget

An increase in per pupil funding by at least inflation is provided by Amendment 23 to the State Constitution, passed by the voters in November 2000. During the 2010 legislative session, the state legislator introduced a new factor into the school financial funding formula. This new factor is a negative factor, which allows the state to reduce its funding to K-12 education in the state. This factor reduced the funding the District would have received from the state under the old formula by \$5,017,600 the 2016-17 school year. This factor is currently projected to increase next year; however it is unknown at this time by how much pending final budget appropriations by the legislature.

Enrollment for Durango School District 9-R will continue to evolve in 2017-18. The online charter school called Connections Academy whose partnership began with the District in 2016-17 will increase enrollment from 306 to 543 students. These are students who reside all over the state, and very few come from the district's boundaries. Durango School District 9-R collects the PPR for this program and passes on 95% with the remaining 5% used to support administration of the this partnership. In 2017-2018, The Juniper School was chartered through Durango School District 9-R. They have 117 students enrolled, and the district passes all but 3% of the students PPR directly to their organization. Lastly, in 2017-2018 Durango School District 9-R has withdrawn from the San Juan BOCES and began operations as their own administrative unit. This will result in approximately 1.6 million dollars in grant money coming to support our Exceptional Student Services division.

The 2017-18 General Fund budget includes \$49,249,474 in revenue, less transfers, and \$49,249,474 in expenditures, which includes \$200,000 in contingency and the addition of the Mill Levy passed in November 2016. This creates a budgeted increase to Fund Balance of \$0.

Requests For Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the district. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Jennifer Macho-Seekins, MBA
Director of Finance
Durango School District 9-R
201 East 12th Street
Durango, Colorado 81301

DURANGO SCHOOL DISTRICT 9-R
BASIC FINANCIAL STATEMENTS

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Total
ASSETS			
Cash and Cash Equivalents (Note 2)	\$ 28,187,580	\$ 25,430	\$ 28,213,010
Accounts Receivable	514,417	-	514,417
Property Taxes Receivable	1,527,187	-	1,527,187
Prepaid Expenses	16,355	-	16,355
Materials and Supplies Inventory	77,937	-	77,937
Capital Assets			
Nondepreciable (Note 4)	6,769,128	-	6,769,128
Depreciable, Net (Note 4)	84,763,915	-	84,763,915
Total Assets	121,856,519	25,430	121,881,949
DEFERRED OUTFLOWS OF RESOURCES			
Pensions (Note 8)	68,066,771	-	68,066,771
Total Deferred Outflows of Resources	68,066,771	-	68,066,771
LIABILITIES			
Accounts Payable	985,188	163	985,351
Accrued Salaries and Benefits	4,668,153	22,847	4,691,000
Unearned Grant Revenue	501,521	-	501,521
Incurred but Unreported Medical Claims	362,535	-	362,535
Accrued Interest Payable	304,748	-	304,748
Long-Term Liabilities (Note 5)			
Due Within One Year	6,971,088	-	6,971,088
Due In More Than One Year	42,320,334	-	42,320,334
Pension Liability	176,752,181	-	176,752,181
Total Liabilities	232,865,748	23,010	232,888,758
DEFERRED INFLOWS OF RESOURCES			
Pensions (Note 8)	3,496,018	-	3,496,018
Total Deferred Inflows of Resources	3,496,018	-	3,496,018
NET POSITION			
Net Investment in Capital Assets	43,572,599	-	43,572,599
Restricted for			
TABOR (Note 6)	1,509,426	-	1,509,426
Debt Service	10,486,381	-	10,486,381
Three Springs Schools	280,690	-	280,690
Unrestricted	(102,287,572)	2,420	(102,285,152)
Total Net Position	\$ (46,438,476)	\$ 2,420	\$ (46,436,056)

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF ACTIVITIES
For the Fiscal Year Ended June 30, 2017

					Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Program Revenues			Governmental Activities	Business-Type Activities	Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions			
Primary Government:							
Governmental Activities							
Instructional Services	\$ 48,940,646	\$ 304,254	\$ 2,500,096	\$ 17,000	\$ (46,119,296)	\$ -	\$ (46,119,296)
Pupil Support Services	9,311,883	143,239	337,700	-	(8,830,944)	-	(8,830,944)
Administration	6,197,572	190,173	-	-	(6,007,399)	-	(6,007,399)
Business Services	1,718,662	-	-	-	(1,718,662)	-	(1,718,662)
Operations and Maintenance	6,395,265	-	51,174	-	(6,344,091)	-	(6,344,091)
Transportation	2,414,032	26,698	336,922	-	(2,050,412)	-	(2,050,412)
Central Supporting Services	3,612,387	-	74,487	-	(3,537,900)	-	(3,537,900)
Food Services	2,121,810	537,898	943,385	-	(640,527)	-	(640,527)
Other Supporting Services	507,601	-	-	-	(507,601)	-	(507,601)
Interest and Fiscal Charges	1,386,913	-	-	-	(1,386,913)	-	(1,386,913)
Total Governmental Activities	82,606,771	1,202,262	4,243,764	17,000	(77,143,745)	-	(77,143,745)
Business-Type Activities							
After School Enrichment Program	291,059	249,024	-	-	-	(42,035)	(42,035)
Total Business-Type Activities	291,059	249,024	-	-	-	(42,035)	(42,035)
Total Primary Government	\$ 82,897,830	\$ 1,451,286	\$ 4,243,764	\$ 17,000	(77,143,745)	(42,035)	(77,185,780)
General Revenues							
Property Taxes					26,372,363	-	26,372,363
Specific Ownership Taxes					2,446,837	-	2,446,837
State Equalization					25,383,015	-	25,383,015
Investment Earnings					133,426	-	133,426
Miscellaneous					609,833	-	609,833
Total General Revenues					54,945,474	-	54,945,474
Transfers					(35,000)	35,000	-
Total General Revenues and Transfers					54,910,474	35,000	54,945,474
CHANGE IN NET POSITION					(22,233,271)	(7,035)	(22,240,306)
NET POSITION, Beginning of Year					(24,205,205)	9,455	(24,195,750)
NET POSITION, End of Year					\$ (46,438,476)	\$ 2,420	\$ (46,436,056)

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Equity in Pooled Cash and Investments	\$ 12,518,403	\$ 10,227,901	\$ 2,542,319	\$ 25,288,623
Receivables				
Accounts	196,235	-	288,182	484,417
Property Taxes	1,085,253	441,934	-	1,527,187
Prepaid Expenses	-	-	16,355	16,355
Materials and Supplies Inventory	57,815	-	20,122	77,937
Total Assets	<u>\$ 13,857,706</u>	<u>\$ 10,669,835</u>	<u>\$ 2,866,978</u>	<u>\$ 27,394,519</u>
LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts Payable	\$ 606,387	\$ -	\$ 378,801	\$ 985,188
Accrued Salaries and Benefits	4,413,411	-	254,742	4,668,153
Unearned Grant Revenues	125	-	501,396	501,521
Total Liabilities	<u>5,019,923</u>	<u>-</u>	<u>1,134,939</u>	<u>6,154,862</u>
Deferred Inflows of Resources				
Unavailable Revenue - Property Tax	<u>451,114</u>	<u>183,454</u>	<u>-</u>	<u>634,568</u>
Fund Balances				
Nonspendable				
Inventory	57,815	-	20,122	77,937
Restricted for				
TABOR 3% Reserve	1,509,426	-	-	1,509,426
Debt Service	-	10,486,381	-	10,486,381
Three Springs Schools	-	-	280,690	280,690
Committed for				
Board Designated Reserve	3,520,375	-	-	3,520,375
Capital Projects	-	-	1,226,679	1,226,679
Food Service	-	-	201,269	201,269
Interscholastic Activities	-	-	3,279	3,279
Assigned for				
Instructional	347,563	-	-	347,563
Support Services	20,510	-	-	20,510
Operations and Maintenance	63,614	-	-	63,614
Transportation	6,694	-	-	6,694
Technology	1,738	-	-	1,738
Unassigned	2,858,934	-	-	2,858,934
Total Fund Balances	<u>8,386,669</u>	<u>10,486,381</u>	<u>1,732,039</u>	<u>20,605,089</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,857,706</u>	<u>\$ 10,669,835</u>	<u>\$ 2,866,978</u>	<u>\$ 27,394,519</u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2017

Total Governmental Fund Balances \$ 20,605,089

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 91,533,043

Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position. 68,066,771

Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds. 634,568

Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:

General Obligation Bonds	\$	(40,870,000)	
Capital Lease Agreements		(3,970,063)	
Accrued Interest Payable		(304,748)	
Compensated Absences		(1,330,978)	
			(46,475,789)

Bond discounts are expensed when incurred in the governmental funds and deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue when issued and are deferred and amortized in the statement of activities. The net unamortized portion of these long-term debt related items is included in the governmental activities. (3,120,381)

Net pension liabilities are not due and payable in the current period and are not reported in the funds. (176,752,181)

Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds. (3,496,018)

Internal Service Funds are used by management to charge the costs of self-insurance to the individual funds. The assets and liabilities of these funds are included in the governmental activities in the statement of net position. 2,566,422

Net Position of Governmental Activities **\$ (46,438,476)**

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Fiscal Year Ended
June 30, 2017

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 20,837,717	\$ 7,591,467	\$ -	\$ 28,429,184
Intergovernmental				
Federal Sources	122,533	-	1,897,251	2,019,784
State Sources	26,205,003	-	411,134	26,616,137
Intermediate Sources	-	-	392,528	392,528
Local Sources	1,434,191	-	880,487	2,314,678
Interest on Investments	74,309	59,117	-	133,426
Miscellaneous Revenues				
Other	179,170	-	143,239	322,409
Total Revenues	48,852,923	7,650,584	3,724,639	60,228,146
EXPENDITURES				
Current Operating				
Instructional Services	26,027,095	-	1,716,864	27,743,959
Supporting Services				
Pupil Support Services	4,489,869	-	829,732	5,319,601
Administration	3,778,443	-	-	3,778,443
Business Services	1,251,207	-	106,524	1,357,731
Operations and Maintenance	4,574,579	-	45,994	4,620,573
Transportation	1,280,689	-	118,505	1,399,194
Central Supporting Services	2,488,098	-	177,240	2,665,338
Food Services	-	-	1,601,529	1,601,529
Other Supporting Services	65,435	-	5,660	71,095
Facilities Acquisition and Construction	-	-	3,060,102	3,060,102
Debt Service	283,581	7,624,744	229,074	8,137,399
Total Expenditures	44,238,996	7,624,744	7,891,224	59,754,964
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	4,613,927	25,840	(4,166,585)	473,182
OTHER FINANCING SOURCES (USES)				
Transfers/Allocation In	-	-	3,550,000	3,550,000
Transfers/Allocation Out	(3,835,000)	-	-	(3,835,000)
Total Other Financing Sources (Uses)	(3,835,000)	-	3,550,000	(285,000)
NET CHANGE IN FUND BALANCES	778,927	25,840	(616,585)	188,182
FUND BALANCE, Beginning of Year	7,607,742	10,460,541	2,348,624	20,416,907
FUND BALANCE, End of Year	<u>\$ 8,386,669</u>	<u>\$ 10,486,381</u>	<u>\$ 1,732,039</u>	<u>\$ 20,605,089</u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES
For the Fiscal Year Ended
June 30, 2017

Net Change in Fund Balances - Total Governmental Funds **\$ 188,182**

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of the assets is allocated over their estimated useful lives as depreciation expense. This is the difference between capital outlay and depreciation in the current period.

Capital Outlay	\$	3,426,824	
Depreciation expense		(4,826,732)	
Deletions Net of Accumulated Depreciation		(17,289)	
			(1,417,197)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	180,354
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Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

2006 G.O. Refunding Bonds	1,700,000		
2010 G.O. Refunding Bonds		3,125,000	
2015 G.O. Refunding Bonds		925,000	
Accrued Interest Payable		35,217	
Capital Lease Payments		394,030	
			6,179,247

Governmental funds report the effect of premiums, discounts, and other similar items when debt is first issued; whereas these amounts are in the statement of activities.

This amount is the deferred and amortized in the treatment of long-term related items.

Bond Premium Amortization	571,239
---------------------------	---------

In the statement of activities, certain operating expenses - compensated absences and special termination benefits - are measured by the amounts earned during the year.

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the net effect of compensated absences payable on the statement of net position.

(70,457)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds.

This item consists of the change in pension expenditures.

(27,271,634)

Internal Service Funds are used by management to charge the costs of health insurance to the funds. The net revenue (expense) is charged to governmental activities.

(593,005)

Change in Net Position of Governmental Activities

\$ (22,233,271)

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
June 30, 2017

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>After School Enrichment Program Fund</u>	<u>Internal Service Funds</u>
ASSETS		
Current Assets		
Equity in Pooled Cash and Investments	\$ 25,430	\$ 2,898,957
Accounts Receivable	-	30,000
Due from Other Funds	-	-
	<u>25,430</u>	<u>2,928,957</u>
Total Current Assets	<u>25,430</u>	<u>2,928,957</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	163	-
Accrued Salaries and Benefits	22,847	-
Incurred but Unreported Medical Claims	-	362,535
	<u>23,010</u>	<u>362,535</u>
Total Current Liabilities	<u>23,010</u>	<u>362,535</u>
NET POSITION		
Unrestricted	<u>2,420</u>	<u>2,566,422</u>
Total Net Position	<u><u>\$ 2,420</u></u>	<u><u>\$ 2,566,422</u></u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - PROPRIETARY FUNDS
For the Fiscal Year Ended
June 30, 2017

	<u>Business-Type Activities</u>	<u>Governmental Activities</u>
	<u>After School Enrichment Program Fund</u>	<u>Internal Service Funds</u>
OPERATING REVENUES		
Charges for Services	\$ 249,024	\$ 4,667,184
Total Operating Revenues	<u>249,024</u>	<u>4,667,184</u>
OPERATING EXPENSES		
Salaries and Benefits	276,435	-
Purchased Services	7,715	5,532,589
Supplies and Materials	3,655	-
Other	<u>3,254</u>	<u>-</u>
Total Operating Expenses	<u>291,059</u>	<u>5,532,589</u>
OPERATING INCOME (LOSS)	<u>(42,035)</u>	<u>(865,405)</u>
NON-OPERATING REVENUES		
Interest on Investments	<u>-</u>	<u>22,400</u>
Total Non-Operating Revenues	<u>-</u>	<u>22,400</u>
INCOME (LOSS) BEFORE TRANSFERS	(42,035)	(843,005)
TRANSFERS IN	<u>35,000</u>	<u>250,000</u>
CHANGE IN NET POSITION	(7,035)	(593,005)
NET POSITION, Beginning of Year	<u>9,455</u>	<u>3,159,427</u>
NET POSITION, End of Year	<u>\$ 2,420</u>	<u>\$ 2,566,422</u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
For the Fiscal Year Ended
June 30, 2017

	Business-Type Activities	Governmental Activities
	After School Enrichment Program Fund	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Others	\$ 252,976	\$ 4,652,184
Cash Payments to Employees for Services	(278,987)	-
Cash Payments for Goods and Services	(14,636)	(5,735,693)
Net Cash Provided (Used) by Operating Activities	(40,647)	(1,083,509)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Transfers In	35,000	250,000
Net Cash Provided (Used) by Non-capital Financing Activities	35,000	250,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	-	22,400
Net Cash Provided (Used) by Investing Activities	-	22,400
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,647)	(811,109)
CASH AND CASH EQUIVALENTS, Beginning of Year	31,077	3,710,066
CASH AND CASH EQUIVALENTS, End of Year	<u>\$ 25,430</u>	<u>\$ 2,898,957</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
OPERATING INCOME (LOSS)	\$ (42,035)	\$ (865,405)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
(Increase) Decrease in Assets		
Accounts Receivable	3,952	(15,000)
Increase (Decrease) in Liabilities		
Accounts Payable	(12)	-
Incurred but Unreported Medical Claims	-	(203,104)
Accrued Salaries and Benefits	(2,552)	-
Net Cash Provided (Used) by Operating Activities	<u>\$ (40,647)</u>	<u>\$ (1,083,509)</u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2017

	<u>Pupil Activity Agency Fund</u>
ASSETS	
Equity in Pooled Cash and Cash Equivalents	\$ 390,407
Total Assets	<u>\$ 390,407</u>
LIABILITIES	
Accounts Payable	\$ 14,238
Accrued Salaries and Benefits	559
Due to Student Groups	<u>375,610</u>
Total Liabilities	<u>\$ 390,407</u>

The accompanying notes are an integral part of this financial statement.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Durango School District 9-R (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units and the Financial Policies and Procedures Handbook as prescribed by State law. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's more significant accounting policies are described below.

Reporting Entity

The District was organized under the provisions of Colorado statutes for the purpose of operating elementary and secondary schools, primarily in La Plata County. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Pursuant to the definition of component units in GASB Statements 14, 39, and 61, the District's Board of Education has not included any component units.

Related Organizations: The Durango Foundation for Educational Excellence provides opportunities for individuals and groups beyond what the schools can offer. Its mission is to preserve, support, and improve educational opportunities with the community by developing a community partnership among schools, businesses and individuals. Financial activity for the Foundation is not included within the District's financial statements. Financial statements may be obtained at the Foundation's offices.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided and used are not eliminated in the process of the consolidation. *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 within a specific function or segment. *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 or segment, and; 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported 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. Agency funds use economic resources measurement focus and accrual basis of accounting.

Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. The District defines this as 60 days. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities in the current period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due. The District does not allocate indirect expenses.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

- *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Debt Service Fund* – This fund accounts for servicing of general long-term debt not being financed by proprietary funds.

Additionally the District reports the following fund types:

Enterprise Funds are used to account for those operations that are financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

- *After School Enrichment Program Fund* – This fund is used to account for the after school supervision program.

Internal Service Funds are used to account for the charges to the primary government for the use of the District provided health insurance plans. The measurement focus is dependent upon determination of net income, financial position, and cash flows.

- *Health Insurance Fund* – This fund is used to account for the health insurance plan provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the health insurance plan.
- *Dental Insurance Fund*– This fund is used to account for the dental insurance plan provided by the District to its employees. The premiums charged are allocated to the District funds that employ those covered by the dental insurance plan.

Agency Funds are used to account for assets held by the District in an agent capacity.

- *Pupil Activity Fund* - This fund is used to account for revenues and expenditures associated with class and club activities.

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

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.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Deposits and Investments

For the purposes of the statement of cash flows, the District considers all highly liquid investment purchases with an original maturity of three months or less to be cash equivalents. The District pools all cash on an entity-wide basis for management and investment purposes. Each fund has an interest in the pool, which is available upon demand.

Investments in securities are stated at fair value. Investments in joint ventures by governmental funds are recorded as expenditures at the time the investment is made.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/ payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund receivables/payables within governmental activities are eliminated in the statement of net position. All other interfund transactions are reported as transfers.

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessor generally as of January 1st of each year. The levy is set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30th or, if in equal installments, at the taxpayer's election, on February 28th and June 15th.

Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The County Treasurer generally remits the taxes collected monthly to the District.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both the government-wide and fund financial statements. Prepaid items are recognized using the consumption method.

Inventories

Inventories are held by the General Fund and the Food Service Fund and are valued at cost using the first-in/first-out (FIFO) method. The District utilizes the purchase method of accounting for inventory. The Federal government donates surplus commodities to supplement the National School Lunch and Breakfast Programs. Such commodities are recorded as non-operating revenues when expended.

Capital Assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the applicable governmental or business-type activities columns in the Government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair value at the date of donation.

The capitalization level is \$5,000 in all funds. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Buildings and improvements and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50-100
Buildings- Improvements	20-30
Land Improvements	20-30
Equipment and Vehicles	5-20
Computer Software	5

Compensated Absences

Each employee of the District may accumulate a total of 90 days of sick leave; however, employees are paid for the accumulated sick leave upon retirement.

The District accrues a liability for compensated absences, which meet the following criteria:

- The District's obligation relating to employee rights to receive compensation for future absences is attributable to employee services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

The District budgets the available financial resources for that year's anticipated payments for compensated absences.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This represents an acquisition of fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period.

Certain amounts related to pensions must be deferred.

Accrued Salaries and Benefits

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 31, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2017, are reflected in the financial statements as an accrued liability.

Long-Term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the effective interest method.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance cost, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the five categories:

- *Nonspendable Fund Balance* – are amounts that cannot be spent because they are not in spendable form – such as inventory and prepaid expenditures.
- *Restricted Fund Balance* – are amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance* – are amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

- *Assigned Fund Balance* – are amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance* – are amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

In the General Fund, the District strives to maintain a committed fund balance of no less than 10% of the general fund budgeted revenues.

Joint Ventures

The District participates in joint ventures created for special purposes, which are not part of the District's reporting entity. The following is a joint venture in which the District participates:

San Juan Board of Cooperative Educational Services – The District is one of nine school districts, which are members of the San Juan Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the "Board of Cooperative Services Act of 1965" of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. A board, made up of representatives from each member district's board, governs the BOCES. The governing board is autonomous as to budgeting and fiscal matters. The BOCES is not fiscally dependent upon the District and is considered a joint venture under GASB Statement No. 14. Financial statements for the BOCES can be obtained by contacting the Director of Business Services at (970) 247-3261.

The Colorado Department of Education approved the separation of Durango School District 9-R from the San Juan Board of Cooperative Educational Services effective July 1, 2017, and the District became its own administrative unit. Education services previously provided by the BOCES will be provided directly by the District in the future.

Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual results could differ from these estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

Reclassifications

Certain amounts from FY 2016 have been reclassified to conform to the FY 2017 financial statement presentation.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for current year and actual data for the prior year.

Budgets are required by Colorado State Statute for all funds. During April, the Superintendent of Schools submits to the Board of Education, a proposed budget for all funds for the fiscal year commencing the following July 1. Public hearings are conducted by the Board of Education to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

The District Director of Finance is required by District policy to present a quarterly report to the Board of Education explaining any variances from the approved budget.

Formal budgetary integration is employed as a management control device during the year for the governmental and proprietary funds. The appropriated budget is prepared by fund. The District's department heads may not make transfers of appropriations. The legal level of control is the fund level. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund, and the reallocation of budget line items within any department, within any fund, rests with the Superintendent of Schools. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves, as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances.

The Board of Education may authorize supplemental appropriations during the year. The Board of Education approved supplemental appropriations during the fiscal year ended June 30, 2017, which are reflected within the financial statements.

NOTE 2 CASH AND CASH EQUIVALENTS

At June 30, 2017, the District's cash, deposits, and investments had a bank balance and carrying balance as follows:

	Bank Balance	Carrying Balance
Cash on Hand and in Banks	\$ 1,914,971	\$ 1,357,241
COLOTRUST	27,246,176	27,246,176
Total Deposits	<u>\$ 29,161,147</u>	<u>\$ 28,603,417</u>
Governmental Activities		\$ 28,187,580
Business-type Activities		25,430
Pupil Activity Agency Fund		390,407
		<u>\$ 28,603,417</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102 percent of the uninsured deposits.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. At June 30, 2017, \$1,664,971 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

The District does not have a policy relating to interest rate risk.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include the following:

- Obligations of the United States and certain U.S. government agencies' securities
- Certain international agencies' securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper holding the highest credit rating category and with a maturity within 180 days
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Fair Value

Fair value investments classified as Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fair value investments classified as Level 2 of the fair value hierarchy are valued using the active market rates for the underlying securities. Fair value investments classified as Level 3 of the fair value hierarchy are valued using non-observable inputs.

As of June 30, 2017, the District had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>	<u>Rating</u>
COLOTRUST	Less than 1 year	\$27,246,176	AAAm

State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments, including bank obligations, general obligation bonds, and commercial paper, are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more of the nationally recognized rating agencies. COLOTRUST has over \$1 billion in assets, is rated AAAM by Standard and Poors, and maintains a constant net asset value of \$1 per share. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST. Financial statements for COLOTRUST are available on www.colotrust.com. This investment is valued using level 2 inputs.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

NOTE 3 INTERFUND TRANSACTIONS AND INTERNAL BALANCES

Significant interfund transfers included are for activities supported by General Fund revenues. Interfund transfers recorded at the fund level and eliminated at the government-wide level at June 30, 2017, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 3,835,000
Capital Reserve Capital Projects Fund	2,350,000	-
Food Service Fund	125,000	-
Interscholastic Activities Fund	1,075,000	-
After School Enrichment Program Fund	35,000	-
Health Insurance Fund	250,000	-
Total	<u>\$ 3,835,000</u>	<u>\$ 3,835,000</u>

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2017:

	<u>Balance</u> <u>06/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>06/30/2017</u>
<i>Governmental Activities</i>				
Non-depreciable				
Land and Improvements	\$ 6,415,255	\$ -	\$ -	\$ 6,415,255
Construction in Progress	1,314,723	353,873	(1,314,723)	353,873
Total Non-depreciable	<u>7,729,978</u>	<u>353,873</u>	<u>(1,314,723)</u>	<u>6,769,128</u>
Depreciable				
Land Improvements	535,912	3,145,925	(20,340)	3,661,497
Buildings and Improvements	140,698,414	1,127,559	-	141,825,973
Equipment and Vehicles	8,982,186	114,190	(271,402)	8,824,974
Computer Software	2,048,279	-	-	2,048,279
Total Depreciable	<u>152,264,791</u>	<u>4,387,674</u>	<u>(291,742)</u>	<u>156,360,723</u>
Accumulated Depreciation				
Land Improvements	(167,425)	(198,300)	3,051	(362,674)
Buildings and Improvements	(59,672,913)	(3,335,048)	-	(63,007,961)
Equipment and Vehicles	(6,070,063)	(836,308)	271,402	(6,634,969)
Computer Software	(1,134,128)	(457,076)	-	(1,591,204)
Total Accumulated Depreciation	<u>(67,044,529)</u>	<u>(4,826,732)</u>	<u>274,453</u>	<u>(71,596,808)</u>
Net Depreciable Capital Assets	<u>85,220,262</u>	<u>(439,058)</u>	<u>(17,289)</u>	<u>84,763,915</u>
Total Capital Assets	<u>\$ 92,950,240</u>	<u>\$ (85,185)</u>	<u>\$ (1,332,012)</u>	<u>\$ 91,533,043</u>

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Depreciation expense was charged to the following functions:

Instructional Services	\$ 3,625,211
Pupil Support Services	704,605
Administration	38,974
Business Services	10,025
Operations and Maintenance	107,234
Transportation	233,947
Central Supporting Services	88,130
Food Services	18,606
Total	<u><u>\$ 4,826,732</u></u>

NOTE 5 LONG-TERM OBLIGATIONS

Changes in Long-Term Debt

During the period ended June 30, 2017, the following changes occurred in liabilities reported in long-term debt:

	Balance 06/30/2016	Increases	Decreases	Balance 06/30/2017	Due within one year
<i>Governmental Activities</i>					
General Obligation Bonds					
Series 2006 Refunding	\$ 3,450,000	\$ -	\$ 1,700,000	\$ 1,750,000	\$ 1,750,000
Series 2010 Refunding	20,385,000	-	3,125,000	17,260,000	3,175,000
Series 2011 Refunding	17,200,000	-	-	17,200,000	-
Series 2015 Refunding	5,585,000	-	925,000	4,660,000	940,000
	<u>46,620,000</u>	<u>-</u>	<u>5,750,000</u>	<u>40,870,000</u>	<u>5,865,000</u>
Bond Premium	3,691,620	-	571,239	3,120,381	571,239
Capital Lease Agreement	4,364,093	-	394,030	3,970,063	412,222
Compensated Absences	1,260,521	70,457	-	1,330,978	122,627
Total	<u><u>\$ 55,936,234</u></u>	<u><u>\$ 70,457</u></u>	<u><u>\$ 6,715,269</u></u>	<u><u>\$ 49,291,422</u></u>	<u><u>\$ 6,971,088</u></u>

General Obligation Refunding Bond, Series 2006

The District issued General Obligation Facilities and Improvement Bonds, denominations of \$5,000, dated September 12, 2006, total issue \$15,925,000 with Supplemental "B" Interest Registered Coupons. The bonds were issued for the purpose of refunding bonds issued in 1996.

Interest, at a rate of 3.5% to 5.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2007 through 2018.

Bonds maturing on or before November 1, 2016, are not subject to redemption prior to maturity. Bonds maturing on November 1, 2017, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on November 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium.

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General Obligation Refunding Bond, Series 2010

The District issued General Obligation Refunding Bonds, Series 2010, denominations of \$5,000, dated July 20, 2010, total issue \$26,015,000. The bonds were issued for the purpose of advance refunding a portion of the General Obligation Bonds, Series 2003. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2013. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2013.

Interest, at a rate of 2.0% to 5.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2010 through 2021.

The bonds are not subject to redemption prior to maturity at the option of the District.

General Obligation Refunding Bond, Series 2011

The District issued General Obligation Refunding Bonds, Series 2011 denominations of \$5,000, dated November 15, 2011, total issue \$17,200,000. The bonds were issued for the purpose of advance refunding a portion of the General Obligation Bonds, Series 2003. The net proceeds from the issuance of the general obligation bonds were used to purchase U.S. government securities which were deposited into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2013. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the Government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2013.

Interest, at a rate of 3.0% to 5.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2021 through 2024.

Bonds maturing on or before November 1, 2021, are not subject to redemption prior to maturity. Bonds maturing on November 1, 2022, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, in such a manner as the District may determine, on November 1, 2021, or any date thereafter at a redemption price equal to the principal amount so redeemed plus accrued interest to the redemption date without a redemption premium.

General Obligation Refunding Bond, Series 2015

The District issued General Obligation Refunding Bonds, Series 2015, denominations of \$5,000, dated August 25, 2015. The bonds were issued for the purpose of advance refunding the General Obligation Bonds, Series 2005. The net proceeds from the issuance of the general obligation bonds were placed into an irrevocable trust with an escrow agent to provide debt service payments until the term bonds were called on November 1, 2015. The advance refunding meets the requirements of an in-substance debt defeasance and the term bonds were removed from the government-wide financial statements of the District. The outstanding balance of the defeased bonds was paid in full on November 1, 2015.

Interest, at a rate of 2.0% to 3.0%, is payable each May 1 and November 1. Principal is due annually November 1, 2016 through 2019.

The bonds are not subject to redemption prior to maturity at the option of the District.

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All bonds noted above are general obligations of the District and shall be payable from general and ad valorem taxes required to be levied, without limitation as to rate, and in amounts sufficient to pay the principal and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose.

Total debt service requirements to maturity of all bonds outstanding are as follows.

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 5,865,000	\$ 1,652,438	\$ 7,517,438
2019	6,650,000	1,410,413	8,060,413
2020	4,790,000	1,185,831	5,975,831
2021	4,070,000	997,363	5,067,363
2022	4,220,000	822,925	5,042,925
2023-2025	15,275,000	992,511	16,267,511
Total	<u>\$ 40,870,000</u>	<u>\$ 7,061,481</u>	<u>\$ 47,931,481</u>

Capital Lease Agreements

The District obtained an annually renewable equipment lease-purchase agreement, dated August 1, 2012, for \$3,052,303 for equipment required by the McKinstry Energy Performance Contract. The equipment is included in the capital assets at a cost of \$3,052,303, with accumulated depreciation of \$1,373,535. The agreement will be repaid from the General Fund in quarterly payments of principal and interest at 2.6%.

The District obtained an annually renewable lease purchase agreement for the acquisition, construction, equipping, and installation of track and field improvements at Durango High School and Escalante Middle School, dated June 15, 2016, for \$1,900,000. The capital improvements are included in capital assets at a cost of \$3,136,488, with accumulated depreciation of \$165,256. The agreement will be repaid from the Capital Projects Fund in annual payments of principal and interest at 2.05%.

The debt service requirements to maturity on leases outstanding is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 412,222	\$ 91,465	\$ 503,687
2019	425,977	81,595	507,572
2020	436,123	71,449	507,572
2021	446,515	61,057	507,572
2022	457,157	50,415	507,572
2023-2026	1,792,069	90,473	1,882,542
Total	<u>\$ 3,970,063</u>	<u>\$ 446,454</u>	<u>\$ 4,416,517</u>

Compensated Absences

Compensated absences are liquidated by the General Fund, Governmental Designated Grant Fund, Interscholastic Activity Fund, After School Enrichment Program Fund, and Food Service Fund.

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NOTE 6 TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (TABOR), containing tax, spending and debt limitations on the state and local governments. TABOR limits increases in revenues and expenditures to the rate of inflation and local growth. In November 1997, a majority of the District's electors authorized the District to collect and spend or retain in a reserve all currently levied taxes and other revenue of the District without regard to any limitations under TABOR. The Amendment is complex and subject to judicial interpretation.

The District believes it is in compliance with the requirements of this Amendment. TABOR also requires local governments to establish a reserve of 3% of fiscal year spending to be used only for declared emergencies. Net position of \$1,509,426 was restricted at June 30, 2017, to meet this requirement.

NOTE 7 RISK MANAGEMENT

Dental Insurance Fund

The District employees and their dependents participate in the District's dental self-insurance plan. Claims were paid by a Third Party Administrator (TPA) acting on behalf of the District. The administrative contract between the District and the TOA is renewable annually, and administrative fees are included in the contractual provisions. Maximum annual benefits are \$1,500-\$2,000 per year per covered individual.

Health-Insurance Fund

The purpose of the self-insurance program is to pay medical claims of the District employees and minimize annual medical insurance costs to the District. Medical claims exceeding \$150,000 per covered individual claim liability are covered by a private insurance carrier. The self-insurance fund is funded through payroll withholdings from employees and District Funds.

The District does not report excess insurance risk liabilities unless it is probable that these risks will be exceeding insurance. There were no material changes in insurance coverage or settlements exceeding insurance coverage this past fiscal year.

The claim liability of \$362,535 reported in the Health Insurance Fund was actuarially determined to cover outstanding claims and estimated incurred, but not reported, insurance claims payable at June 30, 2017, expected to be paid within the next fiscal year. Changes in the Fund's claim liability amount in fiscal year 2017 are as follows:

	<u>Fiscal Year 2017</u>
Liability at July 1	\$ 565,639
Current year claims and changes in estimates	4,746,801
Stop-loss insurance recoveries	-
Claims paid	<u>(4,949,905)</u>
Balance at June 30	<u><u>\$ 362,535</u></u>

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NOTE 8 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

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

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The employer contribution requirements are summarized in the table below:

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

¹ 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 District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$5,000,261, for the year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$176,752,181 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was 0.59 percent, which was a decrease of 0.0119 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$27,271,634. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 2,209,673	\$ 1,555
Changes of assumptions or other inputs	57,352,397	797,062
Net difference between projected and actual earnings on pension plan investments	5,910,224	-
Changes in proportionate share and differences between contributions recognized and proportionate share of share of contributions	-	2,697,401
Contributions subsequent to the measurement date	2,594,477	-
Total	\$ 68,066,771	\$ 3,496,018

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\$2,594,477 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,	
2018	\$ 24,477,873
2019	24,830,476
2020	12,608,957
2021	58,954
2022	-
Thereafter	-

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

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

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent – 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 benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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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.

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

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- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the 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:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity- Large Cap	21.20%	4.30%
U.S. Equity- Small Cap	7.42%	4.80%
Non U.S. Equity- Developed	18.55%	5.20%
Non U.S. Equity- Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non 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%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

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

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

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

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	<u>\$ 222,260,188</u>	<u>\$ 176,752,181</u>	<u>\$ 139,687,557</u>

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

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

NOTE 9 OTHER POSTEMPLOYMENT BENEFITS

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

Funding Policy – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the District contributions to the HCTF were \$275,240, \$277,385 and \$270,123, respectively, equal to their required contributions for each year.

NOTE 10 OTHER RETIREMENT PLANS

Voluntary Investment Program

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

Funding Policy – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings.

457 Deferred Compensation Plan

The PERA Deferred Compensation Plan (457) was established July 1, 2009, as a continuation of the State's deferred compensation plan which was established for state and local government employees in 1981. At July 1, 2009, the State's administrative functions for the 457 plan were transferred to PERA, where all costs of administration and funding are borne by the plan participants. In calendar year 2016, participants were allowed to make contributions of up to 100 percent of their annual gross salary (reduced by their 8 percent PERA contribution) to a maximum of \$18,000. Participants who are age 50 and older, and contributing the maximum amount allowable were allowed to make an additional \$6,000 contribution in 2016. Special 457(b) catch-up contributions allow a participant for 3 years prior to the normal retirement age to contribute the lesser of (1) Twice the annual limit (\$36,000 in 2015, 2016, and 2017), or (2) The basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contributions). Contributions and earnings are tax deferred. At December 31, 2016, the plan had 17,921 participants.

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2017

Other Retirement Plans

In addition to facilitating voluntary retirements through PERA, the District offers several other options to employees. These include a 401(K) or Roth IRA through American Fidelity Assurance, a 401(K) or 403 (B) administered through AXA Equitable, and a 403(B) or a Roth IRA administered through Horace Mann Life Insurance. All of them are funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended, the costs are born by the employees, and the District does not match contributions. Employees are immediately vested in their own contributions and investment earnings.

The District made contributions to other retirement plans totaling \$0 during Fiscal Year 2017.

NOTE 11 RISK OF LOSS

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District has property and casualty insurance with the Colorado School Districts Self-Insurance Pool, which shares risks among its members. Insurance claims have not exceeded coverage over the past three years.

NOTE 12 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL

	Budget		Actual	Variance
	Original	Amended		
Agency Fund Receipts	\$ 650,000	\$ 650,000	\$ 582,319	\$ (67,681)
Agency Fund Disbursements	(675,002)	(650,000)	(531,197)	118,803
Increase (Decrease) in Student Activity Deposits	\$ (25,002)	\$ -	51,122	\$ 51,122
Beginning Balance of Student Activity Deposits			324,488	
Ending Balance of Student Activity Deposits			\$ 375,610	

NOTE 13 CONTINGENCIES AND COMMITMENTS

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

Litigation - Various claims and lawsuits are pending against the District. After consideration of applicable insurance policy coverage and relative merits of each claim or lawsuit, it is the opinion of District counsel that the potential ultimate liability resulting from these actions, if any, will not require additional accrued reserves and will not have a material adverse financial effect on the District.

Commitments

On February 14, 2017, the Board approved the Hermosa Meadows road improvement project of \$350,000. The District covered up front costs to be reimbursed at either \$1,500 or \$750 per lot, depending on the homeowner, as subdivision lots are sold. The project was completed in FY2018. The District incurred costs of \$47,380 and \$363,652 in fiscal year 2017 and 2018, respectively.

DURANGO SCHOOL DISTRICT 9-R

REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension plan contributions and the District's proportionate share of the net pension liability is required to supplement the basic financial statements.

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
REVENUES				
Taxes	\$ 15,816,432	\$ 18,708,390	\$ 18,390,880	\$ (317,510)
Specific Ownership Taxes	2,209,000	2,209,000	2,446,837	237,837
Intergovernmental Revenues				
Federal Sources	167,533	167,533	122,533	(45,000)
State Sources				
Equalization	25,290,368	25,290,368	25,383,015	92,647
Transportation	333,836	333,836	336,922	3,086
Other State	328,626	328,626	485,066	156,440
Local Sources	653,224	1,203,224	1,434,191	230,967
Interest on Investments	26,880	26,880	74,309	47,429
Miscellaneous Revenues				
Other	44,467	44,467	179,170	134,703
Total Revenues	45,420,366	48,312,324	48,852,923	540,599
EXPENDITURES				
Instructional Services	25,254,595	26,550,017	26,027,095	522,922
Supporting Services				
Pupil Support Services	4,783,701	4,783,701	4,489,869	293,832
Administration	3,537,962	3,537,962	3,778,443	(240,481)
Business Services	1,373,460	1,373,460	1,251,207	122,253
Operations and Maintenance	4,673,558	4,673,558	4,574,579	98,979
Transportation	1,286,575	1,286,575	1,280,689	5,886
Central Supporting Services	2,572,653	2,572,653	2,488,098	84,555
Other Supporting Services	52,000	52,000	50,203	1,797
Community Services	-	-	15,232	(15,232)
Debt Service	282,862	282,862	283,581	(719)
Total Expenditures	43,817,365	45,112,788	44,238,996	873,792
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	1,603,001	3,199,536	4,613,927	1,414,391
OTHER FINANCING SOURCES (USES)				
Transfers Out	(1,853,000)	(3,835,000)	(3,835,000)	-
Total Other Financing Sources (Uses)	(1,853,000)	(3,835,000)	(3,835,000)	-
NET CHANGE IN FUND BALANCE	<u>\$ (249,999)</u>	<u>\$ (635,464)</u>	778,927	<u>\$ 1,414,391</u>
FUND BALANCE, Beginning of Year			7,607,742	
FUND BALANCE, End of Year			<u>\$ 8,386,669</u>	

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.
This schedule is presented on the GAAP basis.

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.5936487224%	0.6055495021%	0.6308345451%	0.6313069838%
District's proportionate share of the net pension liability (asset)	\$ 176,752,181	\$ 92,614,521	\$ 85,499,271	\$ 80,523,035
District's covered payroll	\$ 26,643,022	\$ 26,374,119	\$ 26,428,066	\$ 25,439,690
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	663%	351%	324%	317%
Plan fiduciary net position as a percentage of the total pension liability covered payroll	43.1%	59.2%	62.8%	64.1%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information

See Note 8 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF DISTRICT CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<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>
Contractually required contribution	\$ 5,000,261	\$ 4,694,021	\$ 4,452,661	\$ 3,988,576	\$ 3,742,505	\$ 3,372,726	\$ 3,125,156	\$ 3,051,293	\$ 2,859,726
Contributions in relation to the contractually required contribution	<u>(5,000,261)</u>	<u>(4,694,021)</u>	<u>(4,452,661)</u>	<u>(3,988,576)</u>	<u>(3,742,505)</u>	<u>(3,372,726)</u>	<u>(3,125,156)</u>	<u>(3,051,293)</u>	<u>(2,859,726)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 26,987,628	\$ 26,482,692	\$ 26,371,360	\$ 26,149,589	\$ 24,788,562	\$ 23,230,173	\$ 23,185,515	\$ 24,506,305	\$ 24,573,245
Contributions as a percentage of covered payroll	18.53%	17.72%	16.88%	15.25%	15.10%	14.52%	13.48%	12.45%	11.64%

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information

See Note 8 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

DURANGO SCHOOL DISTRICT 9-R

SUPPLEMENTARY INFORMATION

The combining financial statements represent the second level of financial reporting for the District. These financial statements present more detailed information for the individual funds in a format that segregates information by fund type.

**DURANGO SCHOOL DISTRICT 9-R
NONMAJOR GOVERNMENTAL FUNDS**

SPECIAL REVENUE FUNDS

Food Service Fund – This fund is used to account for the operations of the school breakfast and lunch programs.

Governmental Designated Grants Fund – This fund is used to account for revenues and expenditures from federal and state grants.

Interscholastic Activities Fund – This fund is used to account for revenues and expenditures associated with interscholastic athletics and activities.

CAPITAL PROJECTS FUNDS

Capital Reserve Capital Projects Fund - This fund is used to account for the purposes and limitations specified by Section 22-45-103(1)(c), C.R.S., including the acquisition of sites, buildings, equipment, and vehicles.

DURANGO SCHOOL DISTRICT 9-R
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	Special Revenue Funds				Totals
	Food Service Fund	Governmental Designated Grants Fund	Inter- Scholastic Activities Fund	Capital Projects Fund	
ASSETS					
Equity in Pooled Cash	\$ 189,905	\$ 532,716	\$ 58,075	\$ 1,761,623	\$ 2,542,319
Accounts Receivable	103,715	184,467	-	-	288,182
Due from Other Funds	-	-	-	-	-
Materials and Supplies Inventory	20,122	-	-	-	20,122
Prepaid Expenses	-	-	499	15,856	16,355
Total Assets	<u>\$ 313,742</u>	<u>\$ 717,183</u>	<u>\$ 58,574</u>	<u>\$ 1,777,479</u>	<u>\$ 2,866,978</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable	\$ 831	\$ 89,219	\$ 18,641	\$ 270,110	\$ 378,801
Accrued Salaries and Benefits	91,520	126,568	36,654	-	254,742
Unearned Grant Revenues	-	501,396	-	-	501,396
Total Liabilities	<u>92,351</u>	<u>717,183</u>	<u>55,295</u>	<u>270,110</u>	<u>1,134,939</u>
Fund Balances					
Nonspendable					
Inventory	20,122	-	-	-	20,122
Restricted for					
Three Springs School	-	-	-	280,690	280,690
Committed for					
Interscholastic Activities	-	-	3,279	-	3,279
Capital Projects	-	-	-	1,226,679	1,226,679
Food Service	201,269	-	-	-	201,269
Total Fund Balances	<u>221,391</u>	<u>-</u>	<u>3,279</u>	<u>1,507,369</u>	<u>1,732,039</u>
Total Liabilities and Fund Balances	<u>\$ 313,742</u>	<u>\$ 717,183</u>	<u>\$ 58,574</u>	<u>\$ 1,777,479</u>	<u>\$ 2,866,978</u>

DURANGO SCHOOL DISTRICT 9-R
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Fiscal Year Ended
June 30, 2017

	<u>Special Revenue Funds</u>				
	<u>Food Service Fund</u>	<u>Governmental Designated Grants Fund</u>	<u>Inter- Scholastic Activities Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
REVENUES					
Intergovernmental					
Federal Sources	\$ 918,321	\$ 978,930	\$ -	\$ -	\$ 1,897,251
State Sources	27,063	369,214	-	14,857	411,134
Intermediate Sources	-	-	-	392,528	392,528
Local Sources	538,788	252,816	-	88,883	880,487
Miscellaneous Revenues	-	-	143,239	-	143,239
Total Revenues	<u>1,484,172</u>	<u>1,600,960</u>	<u>143,239</u>	<u>496,268</u>	<u>3,724,639</u>
EXPENDITURES					
Instructional Services	-	796,615	920,249	-	1,716,864
Supporting Services					
Pupil Support Services	-	535,021	294,711	-	829,732
Business Services	-	106,524	-	-	106,524
Operations and Maintenance	-	-	-	45,994	45,994
Transportation	-	-	-	118,505	118,505
Central Supporting Services	-	-	-	177,240	177,240
Food Services	1,568,548	16,600	-	16,381	1,601,529
Other Supporting Services	-	5,660	-	-	5,660
Capital Outlay	-	140,540	-	2,919,562	3,060,102
Debt Service	-	-	-	229,074	229,074
Total Expenditures	<u>1,568,548</u>	<u>1,600,960</u>	<u>1,214,960</u>	<u>3,506,756</u>	<u>7,891,224</u>
EXCESS (DEFICIENCY) OF REVENUES					
OVER EXPENDITURES	<u>(84,376)</u>	<u>-</u>	<u>(1,071,721)</u>	<u>(3,010,488)</u>	<u>(4,166,585)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	<u>125,000</u>	<u>-</u>	<u>1,075,000</u>	<u>2,350,000</u>	<u>3,550,000</u>
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>-</u>	<u>1,075,000</u>	<u>2,350,000</u>	<u>3,550,000</u>
NET CHANGE IN FUND BALANCE	<u>40,624</u>	<u>-</u>	<u>3,279</u>	<u>(660,488)</u>	<u>(616,585)</u>
FUND BALANCE, Beginning of Year	<u>180,767</u>	<u>-</u>	<u>-</u>	<u>2,167,857</u>	<u>2,348,624</u>
FUND BALANCE, End of Year	<u>\$ 221,391</u>	<u>\$ -</u>	<u>\$ 3,279</u>	<u>\$ 1,507,369</u>	<u>\$ 1,732,039</u>

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
REVENUES				
Federal Sources	\$ 935,298	\$ 935,298	\$ 918,321	\$ (16,977)
State Sources	26,485	26,485	27,063	578
Local Sources	468,267	468,267	538,788	70,521
 Total Revenues	 1,430,050	 1,430,050	 1,484,172	 54,122
EXPENDITURES				
Supporting Services				
Food Services				
Salaries and Benefits	765,343	765,343	773,478	(8,135)
Purchased Services	33,750	33,750	13,888	19,862
Materials and Supplies				
Food and Milk	854,805	772,612	738,220	34,392
Other Operating	49,900	49,900	42,962	6,938
 Total Expenditures	 1,703,798	 1,621,605	 1,568,548	 53,057
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (273,748)	 (191,555)	 (84,376)	 107,179
OTHER FINANCING SOURCES (USES)				
Transfers In	273,000	125,000	125,000	-
 Total Other Financing Sources (Uses)	 273,000	 125,000	 125,000	 -
NET CHANGE IN FUND BALANCE	<u>\$ (748)</u>	<u>\$ (66,555)</u>	40,624	<u>\$ 107,179</u>
FUND BALANCE, Beginning of Year			180,767	
FUND BALANCE, End of Year			<u>\$ 221,391</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED GRANTS FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
REVENUES				
Intergovernmental				
Federal Sources	\$ 873,302	\$ 873,302	\$ 978,930	\$ 105,628
State Sources	550,062	550,062	369,214	(180,848)
Local Sources	241,936	241,936	252,816	10,880
Total Revenues	1,665,300	1,722,330	1,600,960	(121,370)
EXPENDITURES				
Instructional Services				
Salaries	475,946	475,946	430,896	45,050
Benefits	150,426	150,426	131,195	19,231
Purchased Services	191,931	191,931	120,165	71,766
Supplies and Materials	134,129	134,129	79,208	54,921
Other	24,271	24,271	35,151	(10,880)
Total Instructional Services	976,703	976,703	796,615	180,088
Supporting Services				
Pupil Support Services	536,973	536,973	535,021	1,952
Business Services	45,043	45,073	106,524	(61,451)
Other Supporting Services	2,060	2,060	1,278	782
Food Services	16,599	16,599	16,600	(1)
Community Services	4,382	4,382	4,382	-
Total Supporting Services	605,057	605,087	663,805	(58,718)
Capital Outlay	140,540	140,540	140,540	-
Total Expenditures	1,722,300	1,722,330	1,600,960	121,370
NET CHANGE IN FUND BALANCE	\$ (57,000)	\$ -	-	\$ -
FUND BALANCE, Beginning of Year			-	
FUND BALANCE, End of Year			\$ -	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
INTERSCHOLASTIC ACTIVITIES FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
REVENUES				
Miscellaneous Revenues				
Other	\$ 126,808	\$ 144,808	\$ 143,239	\$ (1,569)
Total Revenues	126,808	144,808	143,239	(1,569)
EXPENDITURES				
Instructional Services	807,128	954,283	920,249	34,034
Supporting Services				
Pupil Support Services	264,717	264,717	294,711	(29,994)
Total Expenditures	1,071,845	1,219,000	1,214,960	4,040
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(945,037)	(1,074,192)	(1,071,721)	2,471
OTHER FINANCING SOURCES (USES)				
Transfers In	950,000	1,075,000	1,075,000	-
Total Other Financing Sources (Uses)	950,000	1,075,000	1,075,000	-
NET CHANGE IN FUND BALANCE	<u>\$ 4,963</u>	<u>\$ 808</u>	3,279	<u>\$ 2,471</u>
FUND BALANCE, Beginning of Year			-	
FUND BALANCE, End of Year			<u>\$ 3,279</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
REVENUES				
Intergovernmental				
State Sources	\$ -	\$ -	\$ 14,857	\$ 14,857
Intermediate Sources	94,395	94,395	392,528	298,133
Local Sources	2,355,000	555,000	88,883	(466,117)
Total Revenues	2,449,395	649,395	496,268	(153,127)
EXPENDITURES				
Supporting Services				
Operations and Maintenance	335,413	109,413	45,994	63,419
Transportation	300,000	300,000	118,505	181,495
Central Supporting Services	200,000	200,000	177,240	22,760
Food Services	40,000	40,000	16,381	23,619
Capital Outlay	1,895,587	2,960,882	2,919,562	41,320
Debt Service	229,000	229,000	229,074	(74)
Total Expenditures	3,000,000	3,839,295	3,506,756	332,539
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES	(550,605)	(3,189,900)	(3,010,488)	179,412
OTHER FINANCING SOURCES (USES)				
Transfers In	600,000	2,350,000	2,350,000	-
Total Other Financing Sources (Uses)	600,000	2,350,000	2,350,000	-
NET CHANGE IN FUND BALANCE	<u>\$ 49,395</u>	<u>\$ (839,900)</u>	(660,488)	<u>\$ 179,412</u>
FUND BALANCE, Beginning of Year			2,167,857	
FUND BALANCE, End of Year			<u>\$ 1,507,369</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance with
	Original	Amended	Actual	Budget
REVENUES				
Taxes	\$ 8,550,890	\$ 8,550,890	\$ 7,591,467	\$ (959,423)
Interest on Investments	12,500	12,500	59,117	46,617
Total Revenues	8,563,390	8,563,390	7,650,584	(912,806)
EXPENDITURES				
Debt Service				
Principal	5,495,000	5,585,580	5,750,000	(164,420)
Interest	2,035,170	2,035,170	1,872,944	162,226
Other	4,000	4,000	1,800	2,200
Total Expenditures	7,534,170	7,624,750	7,624,744	6
NET CHANGE IN FUND BALANCE	<u><u>\$ 1,029,220</u></u>	<u><u>\$ 938,640</u></u>	25,840	<u><u>\$ (912,812)</u></u>
FUND BALANCE, Beginning of Year			10,460,541	
FUND BALANCE, End of Year			<u><u>\$ 10,486,381</u></u>	

DURANGO SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
AFTER SCHOOL ENRICHMENT PROGRAM FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
OPERATING REVENUES				
Charges for Services				
Tuition	\$ 320,925	\$ 320,925	\$ 249,024	\$ (71,901)
Total Operating Revenues	320,925	320,925	249,024	(71,901)
OPERATING EXPENSES				
Salaries and Benefits	332,366	333,335	276,435	56,900
Purchased Services	7,745	7,745	7,715	30
Supplies and Materials	6,844	6,844	3,655	3,189
Other	4,381	2,912	3,254	(343)
Total Operating Expenses	351,335	350,835	291,059	59,776
OPERATING INCOME (LOSS)	(30,410)	(29,910)	(42,035)	(12,125)
TRANSFERS IN	30,000	35,000	35,000	-
CHANGE IN NET POSITION	<u>\$ (410)</u>	<u>\$ 5,090</u>	(7,035)	<u>\$ (12,125)</u>
NET POSITION, Beginning of Year			9,455	
NET POSITION, End of Year			<u>\$ 2,420</u>	

DURANGO SCHOOL DISTRICT 9-R
COMBINING SCHEDULE OF NET POSITION
INTERNAL SERVICE FUNDS
June 30, 2017

	Dental Insurance Fund	Health Insurance Fund	Total
ASSETS			
Current Assets			
Equity in Pooled Cash and Investments	\$ 179,091	\$ 2,719,866	\$ 2,898,957
Accounts Receivable	-	30,000	30,000
Due from Other Funds	-	-	-
Total Assets	179,091	2,749,866	2,928,957
LIABILITIES			
Current Liabilities			
Incurred but Unreported Medical Claims	-	362,535	362,535
Total Current Liabilities	-	362,535	362,535
NET POSITION			
Unrestricted	179,091	2,387,331	2,566,422
Total Net Position	<u>\$ 179,091</u>	<u>\$ 2,387,331</u>	<u>\$ 2,566,422</u>

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - INTERNAL SERVICE FUNDS
For the Fiscal Year Ended
June 30, 2017

	Dental Insurance Fund	Health Insurance Fund	Total
OPERATING REVENUES			
Charges for Services	\$ 376,409	\$ 4,290,775	\$ 4,667,184
Total Operating Revenues	<u>376,409</u>	<u>4,290,775</u>	<u>4,667,184</u>
OPERATING EXPENSES			
Purchased Services	<u>319,567</u>	<u>5,213,022</u>	<u>5,532,589</u>
Total Operating Expenses	<u>319,567</u>	<u>5,213,022</u>	<u>5,532,589</u>
OPERATING INCOME (LOSS)	<u>56,842</u>	<u>(922,247)</u>	<u>(865,405)</u>
NON-OPERATING REVENUES			
Interest on Investments	69	22,331	22,400
Transfer from General Fund	<u>-</u>	<u>250,000</u>	<u>250,000</u>
Total Non-Operating Revenues	<u>69</u>	<u>272,331</u>	<u>272,400</u>
CHANGE IN NET POSITION	56,911	(649,916)	(593,005)
NET POSITION, Beginning of Year	<u>122,180</u>	<u>3,037,247</u>	<u>3,159,427</u>
NET POSITION, End of Year	<u>\$ 179,091</u>	<u>\$ 2,387,331</u>	<u>\$ 2,566,422</u>

DURANGO SCHOOL DISTRICT 9-R
COMBINING SCHEDULE OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Fiscal Year Ended
June 30, 2017

	Dental Insurance Fund	Health Insurance Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Received from Customers and Others	\$ 376,409	\$ 4,275,775	\$ 4,652,184
Cash Payments for Goods and Services	(319,567)	(5,416,126)	(5,735,693)
Net Cash Provided (Used) by Operating Activities	<u>56,842</u>	<u>(1,140,351)</u>	<u>(1,083,509)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfer from General Fund	-	250,000	250,000
Net Cash Provided (Used) by Non-Capital Financing Activities	<u>-</u>	<u>250,000</u>	<u>250,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	<u>-</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received	69	22,331	22,400
Net Cash Provided (Used) by Investing Activities	<u>69</u>	<u>22,331</u>	<u>22,400</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	56,911	(868,020)	(811,109)
CASH AND CASH EQUIVALENTS, Beginning of Year	<u>122,180</u>	<u>3,587,886</u>	<u>3,710,066</u>
CASH AND CASH EQUIVALENTS, End of Year	<u><u>\$ 179,091</u></u>	<u><u>\$ 2,719,866</u></u>	<u><u>\$ 2,898,957</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
OPERATING INCOME (LOSS)	\$ 56,842	\$ (922,247)	\$ (865,405)
ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
(Increase) Decrease in Assets			
Accounts Receivable	-	(15,000)	(15,000)
Increase (Decrease) in Liabilities			
Incurred but Unreported Medical Claims	<u>-</u>	<u>(203,104)</u>	<u>(203,104)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 56,842</u></u>	<u><u>\$ (1,140,351)</u></u>	<u><u>\$ (1,083,509)</u></u>

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
DENTAL INSURANCE FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
OPERATING REVENUES				
Premium Revenues	\$ 365,000	\$ 365,000	\$ 376,409	\$ 11,409
Total Operating Revenues	365,000	365,000	376,409	11,409
OPERATING EXPENSES				
Purchased Services				
Dental Claims	285,000	285,000	289,256	(4,256)
Administrative Costs	30,000	30,000	30,311	(311)
Total Operating Expenses	315,000	315,000	319,567	(4,567)
OPERATING INCOME (LOSS)	50,000	50,000	56,842	6,842
NON-OPERATING REVENUES (EXPENSES)				
Interest on Investments	-	-	69	69
Contingency Reserve	(20,000)	(20,000)	-	20,000
Total Non-Operating Revenues (Expenses)	(20,000)	(20,000)	69	20,069
CHANGE IN NET POSITION	<u>\$ 30,000</u>	<u>\$ 30,000</u>	56,911	<u>\$ 26,911</u>
NET POSITION, Beginning of Year			122,180	
NET POSITION, End of Year			<u>\$ 179,091</u>	

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - BUDGET AND ACTUAL
HEALTH INSURANCE FUND
For the Fiscal Year Ended
June 30, 2017

	Budget			Variance
	Original	Amended	Actual	with Budget
OPERATING REVENUES				
Premium Revenues	\$ 4,082,805	\$ 4,082,805	\$ 4,290,775	\$ 207,970
Total Operating Revenues	4,082,805	4,082,805	4,290,775	207,970
OPERATING EXPENSES				
Purchased Services				
Medical and Prescription Claims	3,250,000	3,906,250	4,372,227	(465,977)
Administrative Costs	843,750	843,750	840,795	2,955
Total Operating Expenses	4,093,750	4,750,000	5,213,022	(463,022)
OPERATING INCOME (LOSS)	(10,945)	(667,195)	(922,247)	(255,052)
NON-OPERATING REVENUES (EXPENSES)				
Interest on Investments	10,000	11,000	22,331	11,331
Contingency Reserve	(700,000)	(700,000)	-	700,000
Transfer from General Fund	-	250,000	250,000	-
Total Non-Operating Revenues (Expenses)	(690,000)	(439,000)	272,331	711,331
CHANGE IN NET POSITION	<u>\$ (700,945)</u>	<u>\$ (1,106,195)</u>	(649,916)	<u>\$ 456,279</u>
NET POSITION, Beginning of Year			<u>3,037,247</u>	
NET POSITION, End of Year			<u>\$ 2,387,331</u>	

DURANGO SCHOOL DISTRICT 9-R

STATISTICAL SECTION

This part of the Durango School District 9-R Comprehensive Annual Financial Report presents detailed data as a context for understanding the information in the financial statements, note disclosures, and required supplementary information.

Financial Trend Data

These schedules contain trend information to help the reader understand how the District's financial performance and well-being have changed over time.

Revenue Capacity Data

These schedules contain information to help the reader assess the District's most significant local revenue source, the ad valorem property tax.

Debt Capacity Data

These schedules present information to help the reader assess the affordability of the District's current levels of outstanding debt and the District's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the District's financial activities take place.

Operating Information

These schedules contain service data to help the reader understand how the information in the District's financial reports relate to the services the District provides and the activities it performs.

DURANGO SCHOOL DISTRICT 9-R

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 7,834,559	\$ 13,746,012	\$ 19,007,479	\$ 19,041,179	\$ 20,979,725	\$ 27,267,945	\$ 32,359,384	\$ 36,000,870	\$ 37,014,006	\$ 43,572,599
Restricted	13,067,630	12,905,815	13,474,134	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497
Unrestricted	6,142,842	4,554,722	5,139,143	9,907,490	12,140,395	11,117,725	7,854,541	(72,603,748)	(73,252,267)	(102,287,572)
Total Governmental Activities Net Assets	<u>27,045,031</u>	<u>31,206,549</u>	<u>37,620,756</u>	<u>42,494,043</u>	<u>46,460,062</u>	<u>49,290,436</u>	<u>51,464,390</u>	<u>(25,824,947)</u>	<u>(24,205,205)</u>	<u>(46,438,476)</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	157,111	136,747	116,382	96,019	86,295	65,371	44,447	-	-	-
Unrestricted	(148,580)	(121,465)	(99,368)	4,662	95,834	84,371	48,888	213	9,455	2,420
Total Business-Type Activities Net Assets	<u>8,531</u>	<u>15,282</u>	<u>17,014</u>	<u>100,681</u>	<u>182,129</u>	<u>149,742</u>	<u>93,335</u>	<u>213</u>	<u>9,455</u>	<u>2,420</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	7,991,670	13,882,759	19,123,861	19,137,198	21,066,020	27,333,316	32,403,831	36,000,870	37,014,006	43,572,599
Restricted	13,067,630	12,905,815	13,474,134	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497
Unrestricted	5,994,262	4,433,257	5,039,775	9,912,152	12,236,229	11,202,096	7,903,429	(72,603,535)	(73,242,812)	(102,285,152)
Total Primary Government Net Assets	<u>\$ 27,053,562</u>	<u>\$ 31,221,831</u>	<u>\$ 37,637,770</u>	<u>\$ 42,594,724</u>	<u>\$ 46,642,191</u>	<u>\$ 49,440,178</u>	<u>\$ 51,557,725</u>	<u>\$ (25,824,734)</u>	<u>\$ (24,195,750)</u>	<u>\$ (46,436,056)</u>

Source: District Records (Statement of Net Assets)

DURANGO SCHOOL DISTRICT 9-R
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental Activities:										
Instruction	\$ 30,228,826	\$ 27,796,309	\$ 26,619,730	\$ 24,736,092	\$ 25,102,282	\$ 25,670,050	\$ 28,256,393	\$ 30,533,314	\$ 31,160,154	\$ 48,940,646
Pupil Activities	608,695	4,356,563	4,458,432	4,141,938	4,183,619	5,216,886	4,897,196	5,422,972	5,999,118	9,311,883
Instructional Support										
General & School Administration	2,942,601	2,904,494	3,000,950	2,979,699	2,932,044	3,253,769	3,443,568	3,708,965	3,921,263	6,197,572
Business Services	579,162	569,778	341,940	528,313	604,429	651,882	623,676	612,474	638,094	1,718,662
Maintenance & Operations	4,341,866	4,495,926	4,394,543	3,906,783	4,150,919	3,906,412	4,055,091	4,804,775	4,809,893	6,395,265
Transportation	1,519,729	1,433,140	1,423,834	1,300,587	1,079,558	1,333,446	1,513,448	1,524,945	1,490,801	2,414,032
Central Services	3,454,233	2,093,192	2,114,114	1,960,251	1,983,212	2,703,123	2,301,344	2,434,996	2,675,149	3,612,387
Food Services								1,547,229	1,414,038	2,121,810
Other Community Services		156,630	294,015	211,754	37,675	40,736		142,220	143,115	507,601
Interest & Fiscal Charges	4,365,593	3,637,702	3,725,710	5,886,291	3,804,263	2,282,927	2,385,589	2,580,150	1,698,807	1,386,913
Total Governmental Activities Expenses	48,040,705	47,443,734	46,373,268	45,651,708	43,878,001	45,059,231	47,476,305	53,312,040	53,950,432	82,606,771
Business-Type Activities:										
Food Services	1,315,883	1,340,448	1,409,978	1,357,841	1,383,644	1,472,783	1,527,802			
After School Enrichment Program					181,173	195,485	343,591	362,361	361,132	291,059
Total Business-Type Activities	1,315,883	1,340,448	1,409,978	1,357,841	1,564,817	1,668,268	1,871,393	362,361	361,132	291,059
Total Primary Government Expenses	49,356,588	48,784,182	47,783,246	47,009,549	45,442,818	46,727,499	49,347,698	53,674,401	54,311,564	82,897,830
Program Revenues										
Governmental Activities:										
Operating Grants, Contributions & Interest	1,948,295	1,826,456	2,353,852	3,587,981	2,282,646	2,769,917	2,844,832	3,842,531	3,752,647	4,243,764
Capital Grants & Contributions		14,855		57,659	84,211	56,855	371,338	431,160	2,331	17,000
Charges for Services and Sales-Tuition			252,231	171,263	181,412					
Charges for Services and Sales-Other	240,789	229,284	281,987	430,897	223,033	423,748	504,353	1,021,198	1,264,208	1,202,262
Total Governmental Activities Program Revenues	2,189,084	2,070,595	2,888,070	4,247,800	2,771,302	3,250,520	3,720,523	5,294,889	5,019,186	5,463,026
Business-Type Activities:										
Charges for Services and Sales	526,360	524,663	519,408	547,875	704,222	698,608	709,095	297,714	319,874	249,024
Operating Grants, Contributions & Interest	525,297	702,536	717,302	775,401	778,757	814,273	811,391			
Total Business-Type Activities Program Revenues	1,051,657	1,227,199	1,236,710	1,323,276	1,482,979	1,512,881	1,520,486	297,714	319,874	249,024
Total Primary Government Program Revenues	3,240,741	3,297,794	4,124,780	5,571,076	4,254,281	4,763,401	5,241,009	5,592,603	5,339,060	5,712,050
Net (Expense)/ Revenue										
Governmental Activities	(45,851,621)	(45,373,139)	(43,485,198)	(41,403,908)	(41,106,699)	(41,808,711)	(43,755,782)	(48,017,151)	(48,931,246)	(77,143,745)
Business-Type Activities	(264,226)	(113,249)	(173,268)	(34,565)	(81,838)	(155,387)	(350,907)	(64,647)	(41,258)	(42,035)
Total Primary Government Net Expense	(46,115,847)	(45,486,388)	(43,658,466)	(41,438,473)	(41,188,537)	(41,964,098)	(44,106,689)	(48,081,798)	(48,972,504)	(77,185,780)
General Revenues & Other Changes in Net Assets										
Governmental Activities:										
Taxes	32,330,868	32,233,430	33,488,033	28,722,795	27,762,586	27,299,742	26,479,304	28,584,042	28,936,827	28,819,200
State Equalization	15,239,601	16,228,255	15,707,623	16,927,048	16,851,601	17,038,215	19,138,711	20,074,131	20,874,848	25,383,015
Investment Earnings	582,044	248,816	88,967	116,468	118,254	36,479	19,817	16,860	46,438	133,426
Amortization of Bond Premium	102,183									
Gain on Sale Land									142,342	
Miscellaneous	1,904,891	944,156	789,782	605,884	500,063	475,147	586,404	358,521	601,033	609,833
Transfer	(185,000)	(120,000)	(175,000)	(95,000)	(123,000)	(123,000)	(294,500)	(63,500)	(50,500)	(35,000)
Total Governmental Activities	49,974,587	49,534,657	49,899,405	46,277,195	45,109,504	44,726,583	45,929,736	48,970,054	50,550,988	54,910,474
Business-Type Activities:										
Other sources	87,659			23,232	3,500					
Transfer	185,000	120,000	175,000	95,000	123,000	123,000	294,500	63,500	50,500	35,000
Total Business-Type Activities	272,659	120,000	175,000	118,232	126,500	123,000	294,500	63,500	50,500	35,000
Total Primary Government	50,247,246	49,654,657	50,074,405	46,395,427	45,236,004	44,849,583	46,224,236	49,033,554	50,601,488	54,945,474
Changes in Net Position										
Governmental Activities	4,122,966	4,161,518	6,414,207	4,873,287	4,002,805	2,917,872	2,173,954	952,903	1,619,742	(22,233,271)
Change in Accounting Principle Governmental								(78,242,240)		
Business-Type Activities	8,433	6,751	1,732	83,667	44,662	(32,387)	(56,407)	(1,147)	9,242	(7,035)
Change in Accounting Principle Business-Type								(91,975)		
Changes in Net Position	\$ 4,131,399	\$ 4,168,269	\$ 6,415,939	\$ 4,956,954	\$ 4,047,467	\$ 2,885,485	\$ 2,117,547	\$ (77,382,459)	\$ 1,628,984	\$ (22,240,306)

Source: District Records (Statement of Activities)

DURANGO SCHOOL DISTRICT 9-R
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Fund										
Nonspendable				\$ 80,363	\$ 73,981	\$ 82,608	\$ 60,763	\$ 76,261	\$ 58,549	\$ 57,815
Restricted				3,951,696	3,990,216	3,574,852	1,975,477	1,300,000	1,355,000	1,509,426
Committed				3,151,337	3,162,615	3,090,898	2,830,018	2,926,702	2,987,919	3,520,375
Assigned				1,335,063	1,985,512	2,117,852	822,535	852,354	696,385	440,119
Unassigned				<u>1,154,274</u>	<u>1,753,356</u>	<u>436,717</u>	<u>950,296</u>	<u>1,001,744</u>	<u>2,509,889</u>	<u>2,858,934</u>
Total General Fund				<u>9,672,733</u>	<u>10,965,680</u>	<u>9,302,927</u>	<u>6,639,089</u>	<u>6,157,061</u>	<u>7,607,742</u>	<u>8,386,669</u>
All Other Governmental Funds										
Nonspendable								28,720	19,374	20,122
Restricted				12,495,374	12,289,942	9,704,766	10,050,465	9,576,262	12,578,056	10,767,071
Committed							231,682	900,000		
Assigned				566,783	556,880	1,657,521	1,125,410	466,386	211,735	1,431,227
Unassigned										
Total all other governmental funds				<u>13,062,157</u>	<u>12,846,822</u>	<u>11,362,287</u>	<u>11,407,557</u>	<u>10,971,368</u>	<u>12,809,165</u>	<u>12,218,420</u>
General Fund										
Reserved	\$ 1,435,204	\$ 1,486,896	\$ 1,504,770							
Unreserved	<u>3,316,051</u>	<u>2,579,562</u>	<u>4,490,367</u>							
Total General Fund	<u>4,751,255</u>	<u>4,066,458</u>	<u>5,995,137</u>							
Reserved	11,967,630	11,816,706	12,309,134							
Unreserved, Reported in:										
Capital Projects Fund										
Special Revenue Funds	<u>2,304,590</u>	<u>955,890</u>	<u>669,783</u>							
Total All Other Governmental Funds	<u>14,272,220</u>	<u>12,772,596</u>	<u>12,978,917</u>							
Total Governmental Funds	<u>\$ 19,023,475</u>	<u>\$ 16,839,054</u>	<u>\$ 18,974,054</u>	<u>\$ 22,734,890</u>	<u>\$ 23,812,502</u>	<u>\$ 20,665,214</u>	<u>\$ 18,046,646</u>	<u>\$ 17,128,429</u>	<u>\$ 20,416,907</u>	<u>\$ 20,605,089</u>

Source: District Records (Balance Sheet - Governmental Funds)

DURANGO SCHOOL DISTRICT 9-R
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
REVENUES										
Taxes	\$ 31,899,501	\$ 31,793,685	\$ 34,159,116	\$ 28,662,925	\$ 28,143,157	\$ 27,422,251	\$ 26,729,197	\$ 28,109,416	\$ 28,884,317	\$ 28,429,184
Intergovernmental:										
Federal	1,264,269	997,009	1,285,284	2,583,554	1,142,634	1,125,808	1,447,177	1,892,374	1,716,580	2,019,784
State	16,366,302	17,545,575	16,728,969	17,716,416	17,454,483	17,739,314	20,105,493	21,212,985	22,031,148	26,616,137
County or Intermediate	638,846								562,188	392,528
Local	8,353		329,829	599,994	654,336	1,295,979	1,214,676	2,419,147	2,178,089	2,314,678
Interest	582,044	248,816	88,967	116,468	118,254	36,479	19,817	16,860	46,438	133,426
Miscellaneous	1,055,806	685,567	930,725	876,110	867,064	602,781	678,292	203,035	233,821	322,409
Total Revenues	51,815,121	51,270,652	53,522,890	50,555,467	48,379,928	48,222,612	50,194,652	53,853,817	55,652,581	60,228,146
EXPENDITURES										
Current:										
Instructional	\$ 34,746,622	\$ 24,534,816	\$ 23,376,126	\$ 22,374,053	\$ 23,324,763	\$ 23,586,017	\$ 25,098,635	\$ 25,273,438	\$ 25,143,058	\$ 27,743,959
Supporting Services	3,593,578	15,508,742	15,521,562	15,386,056	15,491,949	17,310,118	17,498,558	18,775,786	19,422,601	20,813,504
Capital Outlay	1,104,560	2,072,507	1,212,977	434,661	725,386	3,611,798	2,042,214	2,705,635	1,997,516	3,060,102
Debt Service:										
Principal	6,895,000	7,115,000	7,385,000	4,925,000	5,045,000	7,275,000	5,070,000	4,270,000	5,495,000	5,750,000
Interest	4,365,593	4,093,858	3,823,283	3,056,623	3,057,726	2,825,235	2,569,300	3,392,150	2,035,170	1,872,944
Other	451,790	10,150	4,610	197,999	186,964	156,157	240,013	248,193	366,994	514,455
Total Expenses	51,157,143	53,335,073	51,323,558	46,374,392	47,831,788	54,764,325	52,518,720	54,665,202	54,460,339	59,754,964
Excess (Deficiency) of Revenues Over (Under) Expenditures	657,978	(2,064,421)	2,199,332	4,181,075	548,140	(6,541,713)	(2,324,068)	(811,385)	1,192,242	473,182
Other Financing Sources (Uses)										
Sale of Fixed Assets or Land			110,668	4,658	4,449				142,342	
Proceeds of the State										
Loan Program	5,574,951	6,572,599	5,337,625	428,052						
Payments to the State										
Loan Program	(5,574,951)	(6,572,599)	(5,337,625)	(428,052)						
Bonds Issued				29,826,260	17,200,000				5,608,890	
Bond Refunding				(29,632,546)	(19,385,162)				(5,794,425)	
Premium on Bond Issued					2,325,499				289,929	
Lease Proceeds						3,052,303			1,900,000	
Transfers/ Allocation In	1,575,400	2,601,018	2,665,249	2,762,070	1,444,128	3,811,091	2,378,869	3,133,604	1,657,874	3,550,000
Transfers/ Allocation Out	(1,760,400)	(2,721,018)	(2,840,249)	(3,380,681)	(1,567,128)	(3,934,091)	(2,673,369)	(3,197,104)	(1,708,374)	(3,835,000)
Total Other Financing Sources (Uses)	(185,000)	(120,000)	(64,332)	(420,239)	21,786	2,929,303	(294,500)	(63,500)	2,096,236	(285,000)
Net Change in Fund Balances	\$ 472,978	\$ (2,184,421)	\$ 2,135,000	\$ 3,760,836	\$ 569,926	\$ (3,612,410)	\$ (2,618,568)	\$ (874,885)	\$ 3,288,478	\$ 188,182
Debt Service as a Percentage of Noncapital Expenditures	22.36%	21.60%	22.24%	17.58%	16.94%	18.44%	14.55%	14.02%	13.83%	12.76%

Source: District Records (Statement of Revenues, Expenditures, and Changes in Net Assets - Governmental Funds)

Table 4

DURANGO SCHOOL DISTRICT 9-R
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS

Assess- ment Year	Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial, Agricultural & Natural Resources	Oil & Gas	State Assessed, Vacant Land & Other	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Residential Assessment Rate	Oil & Gas Assessment Rate	All Others Assessment Rate
2007	2008	472,463,310	353,264,930	51,497,920	876,214,300	239,438,620	1,992,879,080	15.189	9,118,097,260	21.86%	7.96%	87.50%	29.00%
2008	2009	472,178,170	348,415,365	51,470,900	922,061,130	234,819,580	2,028,945,145	14.765	9,585,758,135	21.17%	7.96%	87.50%	29.00%
2009	2010	505,989,680	362,017,440	52,984,560	1,045,641,070	232,359,900	2,198,992,650	14.484	10,134,796,950	21.70%	7.96%	87.50%	29.00%
2010	2011	511,958,840	362,362,690	52,794,660	478,033,270	235,123,900	1,640,273,360	16.368	9,566,997,110	17.15%	7.96%	87.50%	29.00%
2011	2012	488,530,199	345,779,979	50,378,631	456,157,156	224,363,985	1,565,209,950	16.368	8,776,262,610	17.83%	7.96%	87.50%	29.00%
2012	2013	468,373,080	329,729,870	30,877,730	474,235,410	190,418,550	1,493,634,640	17.017	8,696,152,210	17.18%	7.96%	87.50%	29.00%
2013	2014	442,086,890	314,865,730	33,388,270	323,115,560	170,362,600	1,283,819,050	19.090	8,084,509,080	15.88%	7.96%	87.50%	29.00%
2014	2015	450,117,610	320,762,010	36,000,160	383,743,340	166,867,230	1,357,490,350	19.090	8,272,720,720	16.41%	7.96%	87.50%	29.00%
2015	2016	509,495,590	331,701,950	36,325,300	443,997,090	168,696,490	1,490,216,420	17.876	9,156,871,230	16.27%	7.96%	87.50%	29.00%
2016	2017	518,261,530	338,626,890	37,755,580	263,427,240	168,565,300	1,326,636,540	19.874	9,031,667,280	14.69%	7.96%	87.50%	29.00%

Source: La Plata County Assessor's Office (Selected Authority Abstract)

DURANGO SCHOOL DISTRICT 9-R
PROPERTY TAX RATES DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS

Assessment Year	Fiscal Year	Durango School District 9-R					City of Durango Millage	La Plata County	Special Districts	Total Direct & Overlapping Rates (1)
		General Fund Millage	Bond Levy Millage	Override Levy Millage	ADA/ Asbestos Abatement	Total District Millage	Total City Millage	Total County Millage	Total Special District Millage	
2007	2008	6.601	5.713	2.519	0.356	15.189	2.507	8.693	1.416	27.805
2008	2009	6.601	5.548	2.475	0.141	14.765	2.507	8.564	1.421	27.257
2009	2010	6.601	5.129	2.283	0.471	14.484	2.507	8.674	1.419	27.084
2010	2011	6.601	4.629	5.012	0.126	16.368	2.507	8.500	1.505	28.880
2011	2012	6.601	4.470	5.226	0.071	16.368	2.507	8.500	1.564	28.939
2012	2013	6.601	4.854	5.504	0.058	17.017	2.507	8.500	1.585	29.609
2013	2014	6.601	6.040	6.404	0.045	19.090	2.507	8.500	1.424	31.521
2014	2015	6.601	6.367	6.056	0.066	19.090	2.507	8.500	2.052	32.149
2015	2016	6.601	5.730	5.517	0.028	17.876	2.507	8.500	2.057	30.94
2016	2017	6.601	5.755	7.501	0.01736	19.874	2.507	8.500	2.967	33.85

Notes: (1) Overlapping rates are those of local and county governments that apply to property owners within Durango School District 9-R. Not all overlapping rates apply to all District property owners.

Sources: Durango School District 9-R Mill Levy Resolution
 La Plata County Assessor Office

DURANGO SCHOOL DISTRICT 9-R
PRINCIPAL PROPERTY TAXPAYERS
 CURRENT FISCAL YEAR AND FIVE YEARS AGO

Taxpayer	Type of Business	2016				2011			
		Taxable Assessed		Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed		Rank	Percentage of Total Taxable Assessed Value
		Value	Value			Value	Value		
BP America Production Co.	Energy	\$ 115,238,230		1	8.69%	\$ 280,789,730		1	17.94%
Williams Four Corners LLC	Energy	51,937,330		2	3.91%	24,668,670		6	1.58%
Conoco Phillips Company	Energy	18,359,210		3	1.38%	56,793,640		2	3.63%
Burlington Resources Oil & Gas	Energy	15,646,480		4	1.18%	36,287,770		3	2.32%
XTO Energy Company	Energy	12,614,880		5	0.95%	30,899,610		4	1.97%
Four Star Oil & Gas Co.	Energy	11,230,010		6	0.85%	28,034,320		5	1.79%
Red Cedar	Energy	11,014,880		7	0.83%	20,008,850		7	1.28%
Red Willow Production Co.	Energy	8,538,600		8	0.64%	12,345,520		10	0.79%
DRF Durango LLC & K-F-H LLLP	Energy	7,606,970		9	0.57%				
La Plata Electric Assn Inc.	Energy	7,522,750		10	0.57%	13,227,850		9	0.85%
Chevron USA	Energy					15,150,670		8	0.97%
Totals		<u>\$ 259,709,340</u>			<u>19.58%</u>	<u>\$ 518,206,630</u>			<u>33.11%</u>
Total Assessed Valuation		\$ 1,326,636,540				\$ 1,565,209,950			

Source: La Plata County Assessor's Office - Top Taxpayers

DURANGO SCHOOL DISTRICT 9-R
PROPERTY TAX LEVIES AND COLLECTIONS
 LAST TEN CALENDAR YEARS
 (Unaudited)

Assessment Year	Collection Year	Current Tax Levy (4)	Current Tax Collections (3)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy (5)
2007	2008	30,270,224	29,452,694	97.30%	79,929	29,532,623	97.56%
2008	2009	29,957,375	29,285,077	97.76%	63,858	29,348,935	97.97%
2009	2010	31,849,739	31,050,858	97.49%	359	31,051,217	97.49%
2010	2011	26,847,994	26,681,367	99.38%	31,814	26,713,181	99.50%
2011	2012	25,619,356	25,240,988	98.52%	672,206	25,913,194	101.15%
2012	2013	25,417,181	25,013,976	98.41%	43,676	25,057,652	98.59%
2013	2014	24,508,106	24,136,969	98.49%	274,953	24,411,922	99.61%
2014	2015	25,914,791	25,291,782	97.60%	229,974	25,521,756	98.48%
2015	2016	26,639,109	26,385,177	99.05%	251,119	26,636,296	99.99%
2016	2017	26,366,052	25,964,047	98.48%	338,161	26,302,208	99.76%

Notes:

1. Includes delinquent tax collections collected in current year not reported by county by assessment year.
2. Source: La Plata County Assessor's Office.
3. Taxes collected are from January 1 to August 31.
4. Current tax levy per Durango School District 9-R Mill Levy Resolution.
5. Because taxes are reported in the fiscal year received instead of assessment year this percentage may exceed 100%.

DURANGO SCHOOL DISTRICT 9-R
LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS

Fiscal Year Ended June 30	Assessed Value	Debt Limit (1)	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2008	1,992,879,080	398,575,816	93,745,000	304,830,816	23.52%
2009	2,028,945,145	405,789,029	86,630,000	311,803,101	21.35%
2010	2,198,992,650	439,798,530	79,245,000	360,553,530	18.02%
2011	1,640,273,360	328,054,672	74,320,000	253,734,672	22.65%
2012	1,565,209,950	313,041,990	68,800,000	244,241,990	21.98%
2013	1,493,634,640	298,726,928	61,525,000	237,201,928	20.60%
2014	1,283,819,050	256,763,810	56,455,000	200,308,810	21.99%
2015	1,357,490,350	271,498,070	52,185,000	219,313,070	19.22%
2016	1,490,216,420	298,043,284	46,620,000	251,423,284	15.64%
2017	1,326,636,540	265,327,308	40,870,000	224,457,308	15.40%

(1) Debt limit represents 20% of the assessed valuation of the District. The relevant revenue base property taxes collected by the District based on assessed valuation.

Source: La Plata County Assessor's Office (Amended Certification of Values)
 School District 9-R debt service schedules

DURANGO SCHOOL DISTRICT 9-R
RATIO OF GENERAL BONDED DEBT TO ASSESSED VALUE
AND BONDED DEBT PER CAPITA
LAST TEN CALENDAR YEARS
(Unaudited)

Fiscal Year Ended June 30	Total Actual Taxable Value	General Bonded Debt	Less: Amounts Available in Debt Service Fund (1)	Total	Percentage of Estimated Actual Taxable Vaule of Property	County Population	Bonded Debt per Capita
2008	9,118,097,260	93,745,000	11,967,630	81,777,370	0.9%	49,758	1,884
2009	9,585,758,135	86,630,000	11,780,815	74,849,185	0.8%	50,241	1,724
2010	10,134,796,950	79,245,000	12,309,134	66,935,866	0.7%	51,338	1,544
2011	9,566,997,110	74,320,000	13,039,846	61,280,154	0.6%	51,770	1,436
2012	8,776,262,610	68,800,000	12,289,942	56,510,058	0.6%	52,305	1,315
2013	8,696,152,210	61,525,000	9,704,766	51,820,234	0.6%	53,334	1,154
2014	8,084,509,080	56,455,000	10,050,465	46,404,535	0.6%	53,989	1,046
2015	8,272,720,720	52,185,000	9,379,652	42,805,348	0.5%	54,688	954
2016	9,156,871,230	46,620,000	10,460,541	36,159,459	0.4%	55,454	841
2017	9,031,667,280	40,870,000	10,486,381	30,383,619	0.3%	55,623	735

Source: La Plata County Assessor's Office.
Durango School District 9-R debt service schedule
US Census Bureau

(1) This is the amount restricted for debt service payments.
2016 County Population figures are estimates

DURANGO SCHOOL DISTRICT 9-R
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO GENERAL FUND EXPENDITURES
 LAST TEN FISCAL YEARS
 (Unaudited)

Fiscal Year Ended June 30	Annual Debt Service Expenditures for General Bonded Debt	Total General Fund Expenditures	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures
2008	11,260,593	36,380,841	31.0%
2009	11,219,008	37,589,379	29.8%
2010	11,212,893	36,375,260	30.8%
2011	8,179,622	35,354,305	23.1%
2012	8,249,606	36,549,075	22.6%
2013	10,102,385	38,470,903	26.3%
2014	7,642,300	41,056,519	18.6%
2015	7,664,400	41,324,915	18.5%
2016	7,632,924	40,270,137	19.0%
2017	7,624,744	44,238,996	17.2%

Source: Durango School District 9-R debt service schedule and General Fund
 Schedule of Revenues, Expenditures, and Changes in Net Assets

DURANGO SCHOOL DISTRICT 9-R
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			County Population	Per Capita	Percentage of Personal Income (1)
	General Obligation Bonds	Capital Lease	Outstanding Debt			
2008	93,745,000		93,745,000	49,758	1,884	4.92%
2009	86,630,000		86,630,000	50,241	1,724	4.24%
2010	79,245,000		79,245,000	51,338	1,544	3.88%
2011	74,320,000	76,449	74,396,449	51,770	1,437	3.37%
2012	68,800,000	38,831	68,838,831	52,305	1,316	2.85%
2013	61,525,000	2,995,520	64,520,520	53,334	1,210	2.59%
2014	56,455,000	2,834,861	59,289,861	53,989	1,098	2.31%
2015	52,185,000	2,660,968	54,845,968	54,688	1,003	2.08%
2016	46,620,000	4,364,093	50,984,093	55,454	919	1.94%
2017	40,870,000	3,970,063	44,840,063	55,623	806	1.67%

Note: The District has similar, but not the same boundaries as La Plata County.

(1) Per capita income is reported on Table 14.

Source: Colorado Division of Local Governments
La Plata County Assessor's Office
Durango School District 9-R debt service schedule

DURANGO SCHOOL DISTRICT 9-R
COMPUTATION OF DIRECT AND OVERLAPPING DEBT

06/30/17
(Unaudited)

	2016 Assessed Valuation	Entity's General Debt	Percentage Applicable to the District	Amount of Outstanding Debt Applicable to the District
Direct Debt:				
General Obligation Debt	\$ 1,326,636,540	\$ 40,870,000	100.00%	\$ 68,800,000
Capital Leases		3,970,063	100.00%	3,970,063
Overlapping Debt:				
Aspen Trails Metropolitan District	2,642,320	91,316	100.00%	91,316
Durango West Metro District No. 1	4,367,740		100.00%	
Edgemont Ranch Metropolitan District	22,404,690	372,865	100.00%	372,865
El Rancho Florida Metro. District	3,476,010	1,098,332	100.00%	1,098,223
La Plata Archuleta Water District	1,690,620	6,740,218	100.00%	6,740,218
La Plata County Palo Verde PID No. 3	678,900	254,215	100.00%	254,215
Tamarron Metropolitan District	13,080,540	23,126,699	100.00%	23,126,699
Three Springs Metro. Districts 1	15,848,980	16,880,000	100.00%	16,880,000
Upper Pine River Fire Protection District	238,556,600	4,710,322	11.18%	4,710,322
Total Overlapping Debt				53,273,858
Total Direct General Obligation and Overlapping Debt				<u>\$ 126,043,921</u>
Debt Ratio				5.19%
Debt Ratio with Over-lapping Debt				9.20%

Note: The percentage of overlapping debt is based on the percentage of the entities assessed value that is included in the assessed value of the District.

Source: Durango School District 9-R records
Other district records
Assessors' Offices of La Plata and Archuleta Counties and individual taxing entities

DURANGO SCHOOL DISTRICT 9-R
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	County Population	Unemployment Rate	Per Capita Income	Certified Funded Pupil Count	School Enrollment	Government-wide Governmental Activities Expenses	Cost per Student
2008	49,758	2.8%	38,263	4,555.5	4,837	\$48,040,705	\$9,932
2009	50,241	3.9%	40,677	4,574.7	4,858	\$47,443,734	\$9,766
2010	51,338	5.5%	39,769	4,536.9	4,699	\$46,373,268	\$9,869
2011	51,770	7.2%	42,638	4,496.7	4,688	\$45,651,708	\$9,738
2012	52,305	6.6%	46,154	4,443.7	4,559	\$43,878,001	\$9,624
2013	53,334	5.7%	46,633	4,395.5	4,653	\$45,059,231	\$9,684
2014	53,989	4.2%	47,472	4,362.1	4,762	\$47,476,305	\$9,970
2015	54,652	3.8%	48,327	4,353.9	4,723	\$53,312,040	\$11,288
2016	55,454	3.1%	47,472	4,411.7	4,818	\$53,950,432	\$11,199
2017	55,623	2.4%	48,326	4,812.5	5,183	\$82,606,771	\$15,938

Source: Colorado Division of Local Governments
La Plata County records
Durango School District 9-R enrollment records and Statement of Activities
Per Capita Income for 2014, 2015, and 2017 unavailable. Estimates based on 1.8% annual growth

DURANGO SCHOOL DISTRICT 9-R
PRINCIPAL EMPLOYERS FOR LA PLATA COUNTY
CURRENT YEAR AND NINE YEARS AGO

Employer	2016		2007	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Durango Mountain Resort/Purgatory	1,000	3.33 %	333	1.07 %
Mercy Medical Center	860	2.86 %	724	2.32 %
Durango School District 9-R	853	2.84 %	795	2.55 %
Southern Ute Indian Tribe	795	2.65 %	744	2.39 %
Crossfire	705	2.35 %		0.00 %
Fort Lewis College	660	2.20 %	645	2.07 %
City of Durango	546	1.82 %	458	1.47 %
La Plata County	434	1.45 %	388	1.25 %
Southern Ute Lodge & Casino	425	1.42 %	301	0.97 %
Vantiv	365	1.22 %		0.00 %
US Government		0.00 %		0.00 %
Wal-Mart		0.00 %	382	1.23 %
Flint Energy Services		0.00 %	222	0.71 %
Total	<u>6,643</u>	<u>22.12 %</u>	<u>4,992</u>	<u>16.02 %</u>
Total La Plata County Employment	<u>30,030</u>	<u>100 %</u>	<u>31,162</u>	<u>100 %</u>

Source: Region 9-Economic Development District of SW Colorado, La Plata County and City of Durango CAFR

Notes: Employer data is not available at the municipal level. Data presented is for La Plata County.

The most recent data available is provided in the schedule.

DURANGO SCHOOL DISTRICT 9-R

CAPITAL ASSETS BY FUNCTION

LAST TEN YEARS

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Function:										
Instruction	\$136,228,848	\$137,216,179	\$137,791,996	\$138,429,785	\$139,016,439	\$136,880,287	\$137,242,054	\$139,694,769	\$141,700,844	\$140,880,916
Pupil Activities	107,729	107,729	107,729	107,729	245,547	260,551	1,635,056	2,385,518	2,581,405	6,212,754
General Administration	882,639	938,214	882,639	964,516	1,136,175	1,224,351	1,224,351	1,238,150	1,238,150	1,270,690
School Administration	348,674	348,674	348,674	348,674	348,674	348,674	348,674	348,674	348,674	348,674
Business Services	174,336	174,336	184,164	184,164	184,164	184,164	184,164	184,164	203,848	235,247
Maintenance & Operations	367,471	411,469	411,469	613,641	613,641	701,388	1,605,973	1,612,099	1,623,049	1,911,657
Transportation	3,863,810	3,996,578	4,237,782	4,116,907	4,331,156	4,482,616	4,379,697	4,467,112	4,692,120	4,748,110
Central Services	1,464,119	1,585,367	1,690,868	1,729,368	1,665,500	1,676,400	712,187	712,187	909,292	909,292
Food Services	265,133	265,133	265,133	265,133	276,334	276,334	276,334	134,197	282,133	422,673
Totals	<u>\$ 143,702,759</u>	<u>\$ 145,043,679</u>	<u>\$ 145,920,454</u>	<u>\$ 146,759,917</u>	<u>\$ 147,817,630</u>	<u>\$ 146,034,765</u>	<u>\$ 147,608,490</u>	<u>\$ 150,776,870</u>	<u>\$ 153,579,514</u>	<u>\$ 156,940,013</u>



Source: Durango School District 9-R capital asset records.

DURANGO SCHOOL DISTRICT 9-R
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUND AND EMPLOYEE TYPE
LAST TEN YEARS

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Administrators										
General Fund	29.0	30.5	28.0	28.0	28.0	33.0	36.0	39.0	41.0	39.8
Food Service	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Kids Camp	1.0	1.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0
	31.0	32.5	29.0	29.0	29.0	34.0	38.0	41.0	43.0	41.8
Non-Teaching Professionals										
General Fund	228.7	207.7	191.4	212.7	202.0	212.7	211.0	213.5	231.5	264.9
Insurance Reserve	1.0	1.0	1.0	1.0	0.5	1.0	0.5	0.0	0.0	0.0
Governmental Designated Grant							2.8	0.8	5.4	1.3
Food Service	22.0	22.0	21.0	22.4	22.9	22.4	22.6	24.0	18.1	21.0
Kids Camp	14.0	14.0	8.0	12.0	16.0	12.0	16.0	13.5	9.2	9.9
	265.7	244.7	221.4	248.1	241.4	248.1	252.8	251.8	264.2	297.1
Teachers										
General Fund	337.2	347.0	326.4	317.6	311.1	317.6	317.1	313.4	288.3	317.1
Governmental Designated Grant	15.1	15.5	15.5	11.6	11.2	11.6	13.7	12.9	9.8	3.7
	352.3	362.5	341.9	329.2	322.3	329.2	330.7	326.4	298.1	320.8
Total - All Funds										
General Fund	594.9	585.2	545.8	558.3	541.1	563.3	564.1	566.0	560.8	621.8
Food Service	23.0	23.0	22.0	23.4	23.9	23.4	23.6	25.0	19.1	22.0
Insurance Reserve	1.0	1.0	1.0	1.0	0.5	1.0	0.5	0.0	0.0	0.0
Governmental Designated Grant	15.1	15.5	15.5	11.6	11.2	11.6	16.4	13.7	15.2	5.0
Kids Camp	15.0	15.0	8.0	12.0	16.0	12.0	17.0	14.5	10.2	10.9
	649.0	639.7	592.3	606.3	592.7	611.3	621.5	619.2	605.3	659.7

Source: Durango School District 9-R human resource and payroll records.

DURANGO SCHOOL DISTRICT 9-R
NUTRITION SERVICES - FACTS AND FIGURES
LAST TEN FISCAL YEARS

		Year Ending June 30,									
		2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
October 1 pupil count		4,837	4,858	4,699	4,688	4,559	4,590	4,670	4,564	4,697	5,053
October 1 count of benefits											
Students on free lunch		948	989	1,005	1,119	1,138	1,109	1,196	1,107	1,173	1,414
Student on reduced lunch		421	333	333	288	348	384	287	294	324	327
85	Percentage of students on:										
	Free lunch	19.60%	20.36%	21.39%	23.87%	24.96%	24.16%	25.61%	24.26%	24.97%	27.98%
	Reduced lunch	8.70%	6.85%	7.09%	6.14%	7.63%	8.37%	6.15%	6.44%	6.90%	6.47%
	Total	28.30%	27.21%	28.47%	30.01%	32.59%	32.53%	31.76%	30.70%	31.87%	34.45%

Source: Durango School District 9-R records, CDE October Count - District Summary of Pupil Counts

DURANGO SCHOOL DISTRICT 9-R
MISCELLANEOUS STATISTICAL DATA

June 30, 2017
(Unaudited)

- Year of organization:	1956	Enrollment and Funded Pupil Count		
- Geographical area:	1039 square miles			
- Accreditation:	Colorado Department of Education			
Number of Schools		School Year	Enrollment	Funded Pupil Count
Elementary	7	2007-2008	4,837	4,555.5
Middle	2	2008-2009	4,858	4,574.7
High	2	2009-2010	4,699	4,536.9
		2010-2011	4,688	4,496.7
		2011-2012	4,559	4,443.7
		2012-2013	4,653	4,395.5
		2013-2014	4,762	4,362.1
		2014-2015	4,723	4,353.9
		2015-2016	4,818	4,411.7
Totals	11	2016-2017	5,183	4,812.5

Summary of Teachers by Education Level			Teacher/Student Ratio			
Education Level	Number of Teachers	Percentage of Total	School Year	Enrollment	Number of Teachers	Ratio
Bachelor of Arts	38.00	11.66%	2007-2008	4,837	352	13.74
Bachelor of Arts + 15	10.00	3.07%	2008-2009	4,858	362	13.42
Bachelor of Arts + 30	5.00	1.53%	2009-2010	4,699	342	13.74
Bachelor of Arts + 45	51.00	15.64%	2010-2011	4,688	329	14.24
Master's Degree	96.00	29.45%	2011-2012	4,559	322	14.15
Master's Degree + 15	20.00	6.13%	2012-2013	4,653	329	14.13
Master's Degree + 30	24.00	7.36%	2013-2014	4,762	331	14.40
Master's Degree + 45	22.00	6.75%	2014-2015	4,723	326	14.47
Master's Degree + 60	60.00	18.40%	2015-2016	4,818	331	14.56
	326.00	100.00%	2016-2017	5,183	326	15.90

School Building Information					
School	Total Sq. Feet	Total Class Rooms	Year Built	Student Capacity	Percentage of Capacity Used
Elementary					
Florida Mesa	59,381	25	1959	350	100
Animas Valley	59,160	26	1994	250	100
Fort Lewis Mesa	52,647	20	1961	250	90
Needham	70,815	30	1955	350	100
Park	69,305	30	1956	350	100
Riverview	69,700	29	2004	350	100
Sunnyside	54,636	24	1962	250	90
Middle					
Miller	119,695	44	1961	550	100
Escalante	112,800	38	1994	550	100
High					
Durango High	293,886	119	1976	1925	100
Arts & Science	42,278	20	1957	225	75

Note: * information not available

Source: Colorado Department of Education
Durango School District 9-R records

DURANGO SCHOOL DISTRICT 9-R

SINGLE AUDIT SECTION

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Yead Ended June 30, 2017

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan/Loan Guarantee	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	Federal Award Passed Through to Subrecipients	Amount Passed Through to Subrecipients
10	553	SCHOOL BREAKFAST PROGRAM	\$ 204,952	CHILD NUTRITION CLUSTER	\$ 204,952	\$ 918,321	N	COLORADO DEPARTMENT OF EDUCATION	4553	N	N/A
10	555	NATIONAL SCHOOL LUNCH PROGRAM	610,537	CHILD NUTRITION CLUSTER	713,369	918,321	N	COLORADO DEPARTMENT OF EDUCATION	4555	N	N/A
10	555	NATIONAL SCHOOL LUNCH PROGRAM	102,832	CHILD NUTRITION CLUSTER	713,369	918,321	N	COLORADO DEPARTMENT OF HUMAN SERVICES	4555	N	N/A
10	665	SCHOOLS AND ROADS - GRANT TO STATES	122,533	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	122,533	122,533	N	COLORADO DEPARTMENT OF TREASURY AND LA PLATA COUNTY TREASURER	7665	N	N/A
84	010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	481,296	N/A	496,490	N/A	N	COLORADO DEPARTMENT OF EDUCATION	4010	N	N/A
84	010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	15,194	N/A	496,490	N/A	N	COLORADO DEPARTMENT OF EDUCATION	7010	N	N/A
84	367	IMPROVING TEACHER QUALITY STATE GRANTS	167,432	N/A	167,432	N/A	N	COLORADO DEPARTMENT OF EDUCATION	4367	N	N/A

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	Loan/Loan Guarantee	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	Federal Award Passed Through to Subrecipients	Amount Passed Through to Subrecipients
84	365	ENGLISH LANGUAGE ACQUISITION STATE GRANTS	18,560	N/A	18,560	N/A	N	COLORADO DEPARTMENT OF EDUCATION	4365	N	N/A
84	060	INDIAN EDUCATION - GRANTS TO LOCAL EDUCATIONAL AGENCIES	38,611	N/A	38,611	N/A	N	COLORADO DEPARTMENT OF EDUCATION	4060	N	N/A
84	282	CHARTER SCHOOLS	<u>106,524</u>	N/A	106,524	N/A	N	COLORADO DEPARTMENT OF EDUCATION	5282	Y	106,524
		Total Expenditures	<u><u>\$ 1,868,471</u></u>								

DURANGO SCHOOL DISTRICT 9-R
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Durango School District 9-R under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Durango School District 9-R, it is not intended to and does not present the financial position, changes in net position, or cash flows of Durango School District 9-R.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifiers are presented where available. Durango School District 9-R did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2017.

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**



Wall,
Smith,
Bateman Inc.

To the Board of Education
Durango School District 9-R
Durango, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Durango School District 9-R (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 05, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a material weakness. Finding 2017-001.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2017-001.

District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc.".

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 05, 2017

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE**



To the Board of Education
Durango School District 9-R
Durango, Colorado

Report on Compliance for Each Major Federal Program

We have audited Durango School District 9-R's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Durango School District 9-R complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Certified Public Accountants

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 05, 2017

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported
- Noncompliance material to financial statements noted? ☒ yes ☐ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditors’ report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ☐ yes ☒ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as a low-risk auditee? ☐ yes ☒ no

Section II – Financial Statement Findings

Finding 2017-001: Internal Control Over Financial Reporting
(Repeat of Finding 2016-001)

Type of Finding: Internal Control (material weakness) and material noncompliance

Condition/Cause: The District does not have a complete system of internal control over financial close and reporting processes to include segregation of duties and monitoring of year end accounting procedures.

DURANGO SCHOOL DISTRICT 9-R
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities over the application of accounting principles, antifraud programs, non-routine transactions, financial statement preparation, safeguarding of assets, and compliance with Colorado Budget Law.

Effect: Capital asset records were not accurately reconciled to include Fiscal Year 2017 activity when submitted for audit. The records were returned to management for correction during the audit. In addition, Fiscal Year 2017 supplemental budget resolutions adopted in June and October 2017 contained incorrect language. The District adopted correcting resolutions to supplemental budgets in November 2017.

Recommendation: The District should develop government-wide and financial close accounting policies and procedures to include segregation of duties between preparation and review, to ensure accurate financial statement reporting and compliance with Colorado Budget Law.

Management's Response: See corrective action plan.

Section III – Federal Award Findings and Questioned Costs

None

DURANGO SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2017

Section II – Financial Statement Findings

Finding 2016-001: Internal Control Over Financial Reporting

Type of finding: Internal Control (material weakness)

Condition: Audit adjusting journal entries were proposed to properly state the government-wide financial statements for current year capital asset and long-term liability activity, the Capital Reserve Capital Projects Fund for capital lease proceeds and expense accruals at year-end, the Debt Service Fund to correct property tax accrual errors, and the Health Insurance Fund for claims payable at year-end. In addition, General Fund, Capital Reserve Capital Projects Fund, and Food Service Fund equity accounts were adjusted to reflect current year activity.

Cause: The District does not have a complete system of internal control to prevent and detect financial misstatements and ensure complete and accurate financial statement preparation at the end of the fiscal year. The District's government-wide and financial close reporting is the responsibility of the Chief Financial Officer; the District experienced turnover in this position during the fiscal year.

Status: Partially Implemented (See Finding 2017-001)



201 East 12th Street
Durango, Colorado 81301
(970) 247-5411
durangoschools.org

CORRECTIVE ACTION PLAN

Oversight Agencies: U.S. Department of Agriculture
U.S. Department of Education

Durango School District 9-R respectfully submits the following corrective action plan for the year ended June 30, 2017.

Independent Accountants: Wall, Smith, Bateman Inc.
Certified Public Accountants
700 Main Street, Suite 200, P.O. Box 809
Alamosa, CO 81101

Audit period: Year ended June 30, 2017

The findings from the June 30, 2017 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II – Financial Statement Findings

Finding 2017-001: Internal Control over Financial Reporting (Repeat of Finding 2016-001)

Type of finding: Internal Control (material weakness) and material noncompliance

Recommendation: The District should develop government-wide and financial close accounting policies and procedures to include segregation of duties between preparation and review, to ensure accurate financial statement reporting and compliance with Colorado Budget Law.

Action Taken:

Durango School District 9-R has hired additional staff to assist with segregation of duties, preparation of the audit, and the on-going maintenance of a Fixed Asset module within our accounting software. The Director of Finance will also utilize all resources available to her, including legal advice on the appropriate format and wording that needs to be utilized to be compliant with Colorado Budget Law, the Office of the State Auditor, and Federal Grants.

If the U.S. Department of Agriculture and the U.S. Department of Education have questions regarding this plan, please call the responsible party listed below.

Sincerely yours,

Dan Snowberger
Superintendent
Durango School District 9-R

Jennifer Macho-Seekins
Chief Financial Officer
Durango School District 9-R

DURANGO SCHOOL DISTRICT 9-R

CDE COMPLIANCE SECTION



Colorado Department of Education

Auditors Integrity Report

District: 1520 - DURANGO 9-R

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	7,607,743	45,017,922	44,238,995	8,386,669
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	7,607,743	45,017,922	44,238,995	8,386,669
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	180,766	1,609,172	1,568,548	221,391
22 Govt Designated-Purpose Grants Fund	0	1,600,958	1,600,958	0
23 Pupil Activity Special Revenue Fund	1	1,218,239	1,214,961	3,279
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	10,460,541	7,650,584	7,624,744	10,486,381
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	2,167,857	2,846,269	3,506,758	1,507,368
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
Totals	20,416,908	59,943,143	59,754,963	20,605,088
Proprietary				
50 Other Enterprise Funds	9,455	284,024	291,059	2,420
64 (63) Risk-Related Activity Fund	3,159,427	302,400	895,405	2,566,422
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	3,168,882	586,424	1,186,464	2,568,842
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	324,488	582,320	531,199	375,610
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	324,488	582,320	531,199	375,610

FINAL