

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

**Financial Statements**

**For the Year ended June 30, 2017**



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## **Independent Auditors' Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Brush School District No. RE-2(J) (the District), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

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

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

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
November 29, 2017

## BRUSH SCHOOL DISTRICT NO. RE-2(J)

### Management's Discussion and Analysis

As of and for the fiscal year ended June 30, 2017

As management of the Brush School District No. RE-2(J), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. The following discussion should be read in conjunction with the District's basic financial statements, the notes to the financial statements, and the required supplementary information. All information presented is based on the District's fiscal calendar (July to June). Unless otherwise stated, references in this report to particular years refer to the District's fiscal years ended in June.

#### **Financial Highlights**

- The liabilities of the District exceeded its assets at the close of the most recent fiscal year by \$9,071,219 (*net position*).
- The District's total net position decreased by \$2,574,449 and unrestricted net position decreased by \$3,764,752.
- At the end of the current fiscal year, the District's governmental funds reported combined balance of \$9,272,298, an increase of \$3,234,983 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$6,454,638 or approximately 53.78% of total General Fund expenditures.
- The District's total outstanding long-term debt increased by \$1,226,217 during the current fiscal year because the District refinanced and made regular debt service payments, however it increased by \$21,826,879 due to the net pension liability (GASB 68) making the overall increase of long-term debt \$20,600,662.

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

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

#### **Government-wide Financial Statements**

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

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

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

## **BRUSH SCHOOL DISTRICT NO. RE-2(J)**

### *Management's Discussion and Analysis (Continued)*

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

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

### **Fund Financial Statements**

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

#### ***Governmental Funds***

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

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

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

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

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside of the District. Fiduciary funds *are not* reported in the government-wide financial statements because the resources of those funds *are not* available to support the District's own programs. The

## **BRUSH SCHOOL DISTRICT NO. RE-2(J)**

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### *Management's Discussion and Analysis (Continued)*

Scholarship Private-Purpose Trust Fund and Pupil Activity Agency Fund are reported as Fiduciary Funds. The fiduciary fund financial statements can be found on pages 20-21 of this report.

### **Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-51 of this report.

### **Required Supplementary Information and Other Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the District. The District adopts an annual appropriated budget for all funds. A budgetary comparison schedule is provided for the General Fund as required supplementary information and for all other funds as other supplementary information to demonstrate compliance with this budget. Required supplementary information can be found on page 53-57 of this report. Other supplementary information can be found on pages 59-77.

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

### **Government-wide Overall Financial Analysis**

As noted earlier, net position may serve as a useful indicator of the District's financial position. The District's liabilities and deferred inflows exceeded assets and deferred outflows of resources by \$9,071,219, at June 30, 2017.

The largest portion of the District's net position reflects its \$9,727,755 investment in capital assets (e.g., land, buildings and improvements, vehicles, and equipment) net of accumulated depreciation and related outstanding debt. The District uses these capital assets to provide instructional and supporting services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Another portion of the District's net position represents resources that are subject to external restrictions on how they may be used. These resources are related to debt service (\$2,029,900), and for the TABOR emergency (\$385,000). The second largest component of net position represents the unrestricted balance of \$(21,365,205). This amount is unrestricted and may be used to meet the District's ongoing obligations to its students and creditors.

For the fiscal year 2017, the District's net position decreased by \$2,574,449. The reasons for this overall change are discussed in the following sections.

**BRUSH SCHOOL DISTRICT NO. RE-2(J)***Management's Discussion and Analysis (Continued)***Brush School District No. RE-2(J)****Net Position**

	<b>Total</b>	
	<b>2017</b>	<b>2016</b>
Current and other assets	\$ 10,859,133	7,333,335
Capital assets	14,062,895	14,348,113
<b>Total assets</b>	<b>24,922,028</b>	<b>21,681,448</b>
Deferred outflows of resources	101,959	131,801
Deferred outflows for contributions	17,276,886	2,870,922
Total deferred outflows	17,378,845	3,002,723
Long-term liabilities outstanding	4,369,443	5,595,660
Other liabilities	1,541,104	1,263,993
Net Pension Liability (page 39 Notes)	44,506,341	22,679,462
Deferred Inflows	955,204	1,641,826
<b>Total liabilities and Deferred Inflows</b>	<b>51,372,092</b>	<b>31,180,941</b>
Net investment in capital assets	9,727,755	8,903,312
Restricted	2,566,231	2,200,371
Unrestricted	(21,365,205)	(17,600,453)
<b>Total net position</b>	<b>(9,071,219)</b>	<b>(6,496,770)</b>

As can be seen from the chart above, net position decreased by \$2,574,449 to \$(9,071,219) in FY 2017.

***Governmental Activities***

During the current fiscal year, net position for governmental activities decreased by \$2,574,449 from the prior fiscal year for an ending balance of (\$9,071,219). Revenues increased (\$3,128,838) with a significant increase in property taxes and state categorical aid. Expenditures increased by \$6,863,533. Food Service, was combined with Nonmajor funds in FY 2015. The Food Service's revenues did not exceed expenses as in prior years. It shows an increase in fund balance of \$35,712. Over 72.6% of revenues are federal and state reimbursement grants because of the District's high free and reduced student population.

## BRUSH SCHOOL DISTRICT NO. RE-2(J)

### Management's Discussion and Analysis (Continued)

#### Brush School District No. RE-2(J)

#### Changes in Net Position

	Total	
	2017	2016
<b>Revenues:</b>		
<b>Program revenues:</b>		
Charges for services	\$ 295,804	310,226
Operating grants & contributions	1,171,247	1,135,111
Capital Grants and Contributions	-	336,820
<b>General revenues:</b>		
Property taxes	10,399,482	8,588,079
Specific ownership taxes	925,129	834,537
State share	4,456,119	3,711,874
Investment earnings	39,109	11,281
Other	550,930	117,874
Total revenues	17,837,820	14,708,982
<b>Expenses:</b>		
Instruction	11,242,200	7,090,165
Supporting services	9,037,595	6,224,223
Interest	132,474	234,348
Total expenses	20,412,269	13,548,736
Change in net position	(2,574,449)	1,497,066
Net position – beginning (July 1)	(6,496,770)	(7,993,836)
Net position – ending (June 30)	\$ (9,071,219)	(6,496,770)

#### Financial Analysis of Governmental Funds

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

#### **Governmental Funds**

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

At June 30, 2017, the District's governmental funds reported combined fund balances of \$9,272,298, an increase of \$3,234,983 in comparison with the prior year. Approximately 50.1% of this amount (\$6,454,638) constitutes *unassigned fund balance*, which is available for spending at the District's discretion. The District also identified certain balances as assigned fund balance indicated the District's intended use of these resources. The District assigned fund balance to excess special education costs. The total assigned fund is \$100,000. The remainder of the fund

## **BRUSH SCHOOL DISTRICT NO. RE-2(J)**

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### *Management's Discussion and Analysis (Continued)*

balance is either *nonspendable* or *restricted* to indicate that it is 1) not in spendable form (\$151,429), 2) legally required to be maintained intact (\$385,000), 3) restricted for debt service purposes (\$2,029,900), 4) restricted for the food service fund purposes (\$62,481) 5) restricted for Colorado preschool (\$59,558) or 6) restricted for the multi-year obligations (\$29,292) .

The General Fund is the chief operating fund of the district, providing the majority of the resources for the educational and support programs. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$6,454,638, an increase of \$2,760,400. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total General Fund expenditures net of transfers. Total fund balance represents approximately 59.6% of total General Fund expenditures net of transfers.

Revenue. Total Program revenue is a statutory concept that includes property taxes, specific ownership taxes, and state share. General Fund property tax revenues were based upon a levy of 37.498 mills applied against an assessed valuation of \$229,656,295. Specific ownership tax is applied to the fair value of vehicles registered in Colorado. State share backfills the required statutory total program. Revenue from these three sources represents approximately 99% of the District's total revenue. Overall, General Fund revenue increased \$2,644,523 over prior year due to a significant increase in the mill levy passed by voters. This led to increased local property and vehicle registration taxes. The District has a running memorandum of understanding for the past few years with Brush UMC Head Start which provides additional revenues.

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

The Bond Redemption Fund is used to account for the requirements of the Series 2003 and Series 2004 general obligation bonds and the Series 2006, Series 2012, and Series 2015 general obligation refunding bonds. The revenue source for the Bond Redemption Fund is a voter approved mill levy. For fiscal 2017, the mill levy was 6.705 mills which was expected to generate approximately \$1.5 million. The Bond Redemption Fund expenditures reflect principal and interest costs on the District's debt. The District used the excess fund balance that had been building in the Bond Redemption Fund to refinance bonds in fiscal year 2016. The Series 2003 and Series 2004 general obligation bonds were fully repaid in fiscal year 2014. In fiscal 2017, the district entered into new Series 2017 general obligation bonds used for elementary and maintenance improvements.

### **General Fund Budgetary Highlights**

Total budgeted appropriations adopted by the Board of Education for fiscal year 2017 were \$15,594,591 including General Fund appropriations of \$12,283,718. Total revenues were higher than anticipated due to the additional mill levy that gave the District stronger property tax and specific ownership tax collections. Expenditures were relatively close to what was originally budgeted due to getting as much of the five year plan and maintenance projects completed. Overall, the District's change in fund balance was \$3,462,877 greater than expected.

## **BRUSH SCHOOL DISTRICT NO. RE-2(J)**

### *Management's Discussion and Analysis (Continued)*

#### **Capital Assets and Debt Administration**

##### **Capital Assets**

The District's gross investment in capital assets for its governmental activities as of June 30, 2017, amounts to \$14,062,895 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, vehicles, and equipment. Additional information on the District's capital assets can be found in Note E on page 35 of this report.

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

In fiscal 2017, the District bought a suburban at a cost of \$43,695, a Utility Truck at \$33,550 and a bus at \$103,970. In addition, the District installed a Fuel Tank, for 73,000, the new building invoices pre the approval of best grant, for \$34,475, and other miscellaneous capital items such as the air handler, installation of cameras, new phone system, sound system, and playground equipment.

##### **Long-term Debt**

At the end of the fiscal year, the District had total long-term debt outstanding of \$48,875,784. Accrued interest payable at June 30, 2017, totaled \$16,864.

The District's total debt increased by \$20,585,417, during the fiscal year as a result of the net pension liability adding \$21,826,879. The other debt decreased by \$1,226,217.

State statutes limit the amount of general obligation debt a governmental entity may issue to 20% of assessed valuation. The current debt limitation for the District is \$48,878,608, which is significantly in excess of the District's outstanding general obligation debt. Additional information on the District's long-term debt can be found in Notes G on pages 36-38 of this report.

##### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the School Business Officer, Brush School District No. RE-2(J), 527 Industrial Park Rd, Brush, CO 80723. Information is also available via the District's website: Brush School District No. RE-2(J), Financial Transparency, <http://www.brushschools.org/financial-transparency>.

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## **Basic Financial Statements**

The basic financial statements of the District include the following:

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

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

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Statement of Net Position**  
**June 30, 2017**

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	<u>Governmental Activities</u>
Assets	
Cash	\$ 83,017
Cash with fiscal agent	96,542
Investments	10,061,391
Receivables	466,754
Prepaid expenses	123,567
Inventory	27,862
Capital assets, net of depreciation	<u>14,062,895</u>
Total assets	24,922,028
Deferred outflows of resources	
Deferred charges on refundings of bonds	101,959
Pension deferrals	<u>17,276,886</u>
Total deferred outflows of resources	<u>17,378,845</u>
Total assets and deferred outflows of resources	<u><u>\$ 42,300,873</u></u>

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

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 220,815
Accrued salaries and benefits	1,222,424
Payroll deductions and withholdings	7,263
Accrued expenditures	69,376
Accrued interest payable	16,864
Unearned grant revenue	4,362
Noncurrent liabilities	
Due within one year	1,244,398
Due in more than one year	<u>47,631,386</u>
Total liabilities	50,416,888
Deferred inflows of resources	
Pension deferrals	<u>955,204</u>
Total deferred inflows of resources	955,204
Net position	
Net investment in capital assets	9,727,755
Restricted for:	
Emergencies	385,000
Multi-year obligations	29,292
Colorado preschool program	59,558
Food service	62,481
Debt service	2,029,900
Unrestricted (deficit)	<u>(21,365,205)</u>
Total net position (deficit)	<u>(9,071,219)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 42,300,873</u></u>

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Statement of Activities**  
**For the Year Ended June 30, 2017**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 11,242,200	\$ 39,199	\$ 476,244	
Supporting services				
Students	551,291			
Instructional staff	238,108			
General administration	835,964			
School administration	1,561,074			
Business services	107,250			
Operations and maintenance	1,927,785			
Student transportation	780,199	987	95,755	
Central support	794,355	30,571		
Enterprise operations	768,015			
Food services	853,056	225,047	599,248	
Unallocated depreciation*	620,498			
Interest and fiscal charges	132,474			
Total governmental activities	<u>\$ 20,412,269</u>	<u>\$ 295,804</u>	<u>\$ 1,171,247</u>	<u>\$ -</u>

General revenues

Taxes

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

Total general revenues

Change in net position

Net position (deficit) at beginning of year

Net position (deficit) at end of year

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

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

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Net  
Governmental  
Activities

\$ (10,726,757)

(551,291)  
(238,108)  
(835,964)  
(1,561,074)  
(107,250)  
(1,927,785)  
(683,457)  
(763,784)  
(768,015)  
(28,761)  
(620,498)  
(132,474)

(18,945,218)

8,608,096  
252,025  
1,539,361  
914,920  
10,209  
4,456,119  
39,109  
550,930

16,370,769

(2,574,449)

(6,496,770)

\$ (9,071,219)

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash	\$ 15,999		\$ 67,018	\$ 83,017
Cash with fiscal agent	93,949	\$ 2,215	378	96,542
Investments	8,046,746	2,014,645		10,061,391
Due from other funds	1,082		46,005	47,087
Property taxes receivable	122,859	21,972	5,836	150,667
Grants receivable	15,720		95,189	110,909
Other receivables	180,724		24,454	205,178
Prepaid items	123,567			123,567
Inventory			27,862	27,862
<b>Total assets</b>	<b>\$ 8,600,646</b>	<b>\$ 2,038,832</b>	<b>\$ 266,742</b>	<b>\$ 10,906,220</b>
<b>Liabilities</b>				
Accounts payable	\$ 205,766		\$ 15,049	\$ 220,815
Accrued salaries and benefits	1,111,881		110,543	1,222,424
Payroll withholdings	7,263			7,263
Accrued expenditures	69,376			69,376
Unearned grant revenue	4,362			4,362
Due to other funds			47,087	47,087
<b>Total liabilities</b>	<b>1,398,648</b>	<b>\$ -</b>	<b>172,679</b>	<b>1,571,327</b>
Deferred inflows of resources				
Deferred property tax revenues	49,943	8,932	3,720	62,595
<b>Fund balance</b>				
Nonspendable prepaid items	123,567			123,567
Nonspendable inventory			27,862	27,862
Restricted to emergencies	385,000			385,000
Restricted to multi-year obligations	29,292			29,292
Restricted to Colorado Preschool	59,558			59,558
Restricted to food service			62,481	62,481
Restricted to debt service		2,029,900		2,029,900
Assigned to special education	100,000			100,000
Unassigned	6,454,638			6,454,638
<b>Total fund balance</b>	<b>7,152,055</b>	<b>2,029,900</b>	<b>90,343</b>	<b>9,272,298</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 8,600,646</b>	<b>\$ 2,038,832</b>	<b>\$ 266,742</b>	<b>\$ 10,906,220</b>

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

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

Total fund balance - governmental funds	\$ 9,272,298
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	14,062,895
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenue in the funds.	62,595
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(16,864)
Long-term liabilities and related deferred inflows and outflows of resources, including bonds payable, capital lease obligations, compensated absences and net pension liability are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	<u>(32,452,143)</u>
Net position (deficit) of the governmental activities	<u><u>\$ (9,071,219)</u></u>

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Local sources	\$ 10,170,045	\$ 1,552,561	\$ 475,486	\$ 12,198,092
Intermediate sources	5,192	832	105	6,129
State sources	4,748,147		16,407	4,764,554
Federal sources	17,157		845,655	862,812
<b>Total revenues</b>	<b>14,940,541</b>	<b>1,553,393</b>	<b>1,337,653</b>	<b>17,831,587</b>
<b>Expenditures</b>				
Instruction	6,436,511		569,291	7,005,802
Supporting services	5,440,018		789,238	6,229,256
Debt service				
Principal retirement	111,601	1,110,000		1,221,601
Interest and fiscal charges	14,095	125,850		139,945
<b>Total expenditures</b>	<b>12,002,225</b>	<b>1,235,850</b>	<b>1,358,529</b>	<b>14,596,604</b>
Excess of revenues over (under) expenditures	2,938,316	317,543	(20,876)	3,234,983
<b>Other financing sources (uses)</b>				
Transfers in			56,588	56,588
Transfers out	(56,588)			(56,588)
<b>Total other financing sources (uses)</b>	<b>(56,588)</b>	<b>-</b>	<b>56,588</b>	<b>-</b>
Net change in fund balance	2,881,728	317,543	35,712	3,234,983
Fund balance at beginning of year	4,270,327	1,712,357	54,631	6,037,315
Fund balance at end of year	<u>\$ 7,152,055</u>	<u>\$ 2,029,900</u>	<u>\$ 90,343</u>	<u>\$ 9,272,298</u>

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2017**

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

Net change in fund balances - governmental funds	\$ 3,234,983
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(285,218)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	6,233
In the statement of activities, certain expenses related to the pension liabilities and related deferred inflows and outflows, compensated absences and accrued interest payable, are measured by amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(6,752,048)
Repayment of principal on bonds and capital lease obligations is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the statement of net position.	<u>1,221,601</u>
Change in net position of governmental activities	<u><u>\$ (2,574,449)</u></u>

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash	\$ 7,217	\$ 191,628
Certificates of deposit	262,438	42,274
Total assets	<u>\$ 269,655</u>	<u>\$ 233,902</u>
Liabilities		
Due to student groups		\$ 233,902
Total liabilities	\$ -	<u>\$ 233,902</u>
Net position		
Held in trust for scholarships	<u>269,655</u>	
Total liabilities and net position	<u>\$ 269,655</u>	

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2017**

	<u>Private Purpose Trust Fund</u>
Additions	
Earnings on investments	\$           8
Contributions	<u>143,581</u>
Total additions	143,589
Deductions	
Scholarship awards	<u>154,875</u>
Total deductions	<u>154,875</u>
Net decrease in net position	(11,286)
Net position at beginning of year	<u>280,941</u>
Net position at end of year	<u><u>\$ 269,655</u></u>

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

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

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**Note A – Summary of significant accounting policies**

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

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

**A.1 – Reporting entity**

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

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

**A.2 – Fund accounting**

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

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

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

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

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**Note A - Summary of significant accounting policies (Continued)**

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

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

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

The following are the District's nonmajor governmental funds:

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

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

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

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

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

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

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

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**Note A – Summary of significant accounting policies (Continued)**

**Note A.3 – Basis of presentation**

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

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

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

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

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

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

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**Note A – Summary of significant accounting policies (Continued)**

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

**A.4 – Basis of accounting**

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

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

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

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

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

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**Note A - Summary of significant accounting policies (Continued)**

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

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

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

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

**A.5 - Encumbrances**

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

**A.6 - Short-term interfund receivables/payables**

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

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

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**Note A – Summary of significant accounting policies (Continued)**

**A.7 – Inventories**

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

**A.8 – Capital assets**

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

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

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

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

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

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**Note A – Summary of significant accounting policies (Continued)**

**A.9 – Compensated absences**

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

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

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

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

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

**A.10 – Accrued liabilities and long-term obligations**

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

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

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

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**Note A – Summary of significant accounting policies (Continued)**

**A.11 – Fund balance**

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

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

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

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

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

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

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

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

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

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**Note A – Summary of significant accounting policies (Continued)**

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

**A.12 – Net position**

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

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

**A.13 – Interfund transactions**

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

**A.14 – Extraordinary and special items**

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

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

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**Note B – Cash and investments**

**Cash and deposits**

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$878,930, of which \$480,912 was insured and \$398,018 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

**Investments**

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

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

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

**Note B – Cash and investments (Continued)**

During the year, the District invested in Colostrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2017, the District had invested \$10,061,391 in COLOTRUST PLUS+, an SEC Rule 2a7-like investment pool. Investments are valued at the net asset value (NAV) of \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments.

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

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colostrust	<u>\$ 10,061,391</u>	<u>\$10,061,391</u>	<u>\$ -</u>	<u>\$ -</u>

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in Colostrust was rated AAA by Standard and Poor’s.

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

**Note B – Cash and investments (Continued)**

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

Cash in bank	\$ 281,862
Cash with fiscal agent	96,542
Certificates of deposit	304,712
Colotrust	<u>10,061,391</u>
Total	<u>\$ 10,744,507</u>
 <u>Statement of net position</u>	
Cash	\$ 83,017
Cash with fiscal agent	96,542
Investments	<u>10,061,391</u>
Subtotal	10,240,950
 <u>Statement of fiduciary net position</u>	
Cash	198,845
Certificates of deposit	<u>304,712</u>
Subtotal	<u>503,557</u>
Total	<u>\$ 10,744,507</u>

**Note C – Receivables**

Receivables at year-end consist of the following:

	<u>Governmental</u>
	<u>Activities</u>
Property taxes receivable	\$ 150,667
Grants receivable	110,909
Other receivables	<u>205,178</u>
Total	<u>\$ 466,754</u>

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

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

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**Note D – Interfund transactions**

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 1,082	\$ -
Other governmental funds	<u>46,005</u>	<u>48,087</u>
Total	<u>\$ 47,087</u>	<u>\$ 47,087</u>

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 56,588
Other governmental funds	<u>56,588</u>	<u>-</u>
Total	<u>\$ 56,588</u>	<u>\$ 56,588</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$56,588 from the General Fund to the Full-Day Kindergarten Fund to subsidize the costs of maintaining the District's full-day kindergarten program.

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

**Note E – Capital assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 597,193	\$ -	\$ -	\$ 597,193
Total capital assets, not being depreciated	597,193	-	-	597,193
Capital assets, being depreciated:				
Buildings and improvements	29,539,174	234,940	-	29,774,114
Licensed vehicles	1,372,209	270,292	-	1,642,501
Equipment	<u>1,564,574</u>	<u>36,329</u>	-	<u>1,600,903</u>
Total capital assets, being depreciated	<u>32,475,957</u>	<u>541,561</u>	-	<u>33,017,518</u>
Total capital assets	33,073,150	541,561	-	33,614,711
Less accumulated depreciation:				
Buildings and improvements	(17,047,309)	(620,497)	-	(17,667,806)
Licensed vehicles	(889,403)	(63,096)	-	(952,499)
Equipment	<u>(788,325)</u>	<u>(143,186)</u>	-	<u>(931,511)</u>
Total accumulated depreciation	<u>(18,725,037)</u>	<u>(826,779)</u>	-	<u>(19,551,816)</u>
Governmental activities capital assets, net	<u>\$ 14,348,113</u>	<u>\$ (285,218)</u>	\$ -	<u>\$ 14,062,895</u>

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

Governmental activities	
Instruction	\$ 18,624
Operations and maintenance	124,560
Student transportation	63,097
Unallocated	<u>620,498</u>
Total	<u>\$ 826,779</u>

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

**Note F – Accrued salaries and benefits**

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$1,222,424. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

**Note G – Long-term debt**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 19,058	\$ 15,245	\$ -	\$ 34,303	\$ -
Bonds payable	5,225,000	-	(1,110,000)	4,115,000	1,130,000
Bond premium	87,720	-	(19,861)	67,859	-
Capital lease obligations	263,882	-	(111,601)	152,281	114,398
Net pension liability	<u>22,679,462</u>	<u>21,826,879</u>	<u>-</u>	<u>44,506,341</u>	<u>-</u>
Total	<u>\$28,275,122</u>	<u>\$21,842,124</u>	<u>\$ (1,241,462)</u>	<u>\$ 48,875,784</u>	<u>\$ 1,244,398</u>

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

**Bonds Payable**

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

\$ 2,695,000

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

1,420,000

Total general obligation bonds

\$ 4,115,000

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

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**Note G – Long-term debt (Continued)**

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,130,000	\$ 54,850	\$ 1,184,850
2019	1,160,000	37,450	1,197,450
2020	1,185,000	23,925	1,208,925
2021	<u>640,000</u>	<u>9,600</u>	<u>649,600</u>
Totals	<u>\$ 4,115,000</u>	<u>\$ 125,825</u>	<u>\$ 4,240,825</u>

**Prior year defeasance of debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$3,155,000 of bonds outstanding are considered defeased.

**Capital Lease Obligations**

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

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

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

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

**Note G – Long-term debt (Continued)**

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

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2018	\$ 125,695
2019	24,500
2020	<u>24,500</u>
Total minimum lease payments	174,695
Less amount representing interest	<u>(22,414)</u>
Present value of future net minimum lease payments	<u>\$ 152,281</u>

**Note H – Defined benefit pension plan**

Summary of significant accounting policies

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

General information about the pension plan

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

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

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**Note H - Defined benefit pension plan (Continued)**

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

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the

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

**Note H – Defined benefit pension plan (Continued)**

Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate <sup>1</sup>	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f) <sup>1</sup>	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411 <sup>1</sup>	<u>4.50%</u>	<u>5.00%</u>
Total employer contribution rate to the SCHDTF <sup>1</sup>	<u>18.13%</u>	<u>18.63%</u>

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. Section 24-51-101(42).

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

**Note H – Defined benefit pension plan (Continued)**

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,299,678 for the year ended.

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

At year-end, the District reported a liability of \$44,506,341 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District's proportion was 0.1495 percent, which was an increase of 0.0012 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,033,972. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 554,899	\$ 417
Changes of assumptions or other inputs	14,441,379	199,099
Net difference between projected and actual earnings on pension plan investments	1,493,210	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	130,009	755,688
Contributions subsequent to the measurement date	<u>657,389</u>	<u>-</u>
Total	<u>\$ 17,276,886</u>	<u>\$ 955,204</u>

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

**Note H – Defined benefit pension plan (Continued)**

\$657,389 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>June 30,</u>	<u>Amount</u>
2018	\$ 6,064,038
2019	6,332,247
2020	3,253,163
2021	<u>14,845</u>
Totals	<u>\$ 15,664,293</u>

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

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

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

**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

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

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

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**Note H – Defined benefit pension plan (Continued)**

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

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

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

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

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

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

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

**Note H – Defined benefit pension plan (Continued)**

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	21.20%	4.30%
U.S. equity – small cap	7.42%	4.80%
Non U.S. equity – developed	18.55%	5.20%
Non U.S. equity – emerging	5.83%	5.40%
Core fixed income	19.32%	1.20%
High yield	1.38%	4.30%
Non U.S. fixed income - developed	1.84%	0.60%
Emerging market debt	0.46%	3.90%
Core real estate	8.50%	4.90%
Opportunity fund	6.00%	3.80%
Private equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

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

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**Note H – Defined benefit pension plan (Continued)**

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

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

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**Note H - Defined benefit pension plan (Continued)**

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

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

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**Note H – Defined benefit pension plan (Continued)**

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

	1% Decrease <u>(4.26%)</u>	Current Discount <u>(5.26%)</u>	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 55,965,293</u>	<u>\$ 44,506,341</u>	<u>\$ 35,173,439</u>

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

Payables to the pension plan

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

**Note I – Defined contribution pension plan**

Voluntary Investment Program

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

*Funding policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$44,047 for the Voluntary Investment Program.

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

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**Note J – Other postemployment benefits**

Health Care Trust Fund

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

*Funding policy.* The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2017, 2016 and 2015, the District's contributions to the HCTF were \$68,335, \$67,921 and \$67,864, respectively, equal to their required contributions for each year.

**Note K – Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$139,680. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

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

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**Note L - Commitments and contingencies**

Federal and state funding

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

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$385,000 for the emergency reserve.

Budget law

Expenditures in the Food Service and Designated Purpose Grants Funds exceeded appropriations by \$5,714 and \$2,403, respectively, and may be in violation of Colorado Local Government Budget Laws.

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

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**Note L – Commitments and contingencies (Continued)**

Environmental Remediation Loss Contingency

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

**Note M – Joint venture**

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

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

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

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

For the year, the District's contribution was \$119,535.

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### **Required Supplementary Information**

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

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 7,196,421	\$ 7,196,421	\$ 10,170,045	\$ 2,973,624
Intermediate sources	4,200	4,200	5,192	992
State sources	4,578,842	4,578,842	4,748,147	169,305
Federal sources			17,157	17,157
Total revenues	11,779,463	11,779,463	14,940,541	3,161,078
Expenditures				
Instruction	6,080,628	6,080,628	6,436,511	(355,883)
Supporting services	6,108,749	6,108,749	5,440,018	668,731
Debt service				
Principal retirement	80,365	80,365	111,601	(31,236)
Interest and fiscal charges	13,976	13,976	14,095	(119)
Total expenditures	12,283,718	12,283,718	12,002,225	281,493
Excess of revenues over (under) expenditures	(504,255)	(504,255)	2,938,316	3,442,571
Other financing sources (uses)				
Transfers out	(76,894)	(76,894)	(56,588)	20,306
Total other financing sources (uses)	(76,894)	(76,894)	(56,588)	20,306
Net change in fund balance	\$ (581,149)	\$ (581,149)	2,881,728	\$ 3,462,877
Fund balance at beginning of year			4,270,327	
Fund balance at end of year			\$ 7,152,055	

**BRUSH SCHOOL DISTRICT NO. RE-2(J)****Schedule of the District's Proportionate Share of the Net Pension Liability <sup>1</sup>  
June 30, 2017**

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	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.1494812238%	0.1482870283%	0.1588273799%
District's proportionate share of the net pension liability	\$ 44,506,341	\$ 22,679,462	\$ 21,526,445
District's covered-employee payroll	\$ 6,699,481	\$ 6,658,930	\$ 6,536,564
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	664.33%	340.59%	329.32%
Plan fiduciary net position as a percentage of the total pension liability	43.1%	59.2%	62.8%

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Schedule of District Contributions <sup>1</sup>**  
**June 30, 2017**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 1,299,678	\$ 1,248,777	\$ 1,147,894
Contributions in relation to the contractually required contribution	<u>(1,299,678)</u>	<u>(1,248,777)</u>	<u>(1,147,894)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 6,699,481	\$ 6,658,930	\$ 6,536,564
Contributions as a percentage of covered-employee payroll	19.40%	18.75%	17.56%

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

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

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**Note A – Budgetary data**

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

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

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

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

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### **Other Supplementary Information**

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

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## **Budgetary Comparison Schedules - General Fund**

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**General Fund**  
**Budgetary Comparison Schedule - Revenues**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
<b>Local sources</b>				
Property taxes	\$ 6,331,144	\$ 6,331,144	\$ 8,602,934	\$ 2,271,790
Specific ownership taxes	686,177	686,177	914,712	228,535
Delinquent taxes and interest	4,500	4,500	8,134	3,634
Tuition	8,600	8,600	39,199	30,599
Other transportation			987	987
Earnings on investments	2,000	2,000	28,707	26,707
Other revenues	164,000	164,000	575,372	411,372
<b>Total local sources</b>	<b>7,196,421</b>	<b>7,196,421</b>	<b>10,170,045</b>	<b>2,973,624</b>
<b>Intermediate sources</b>				
Mineral lease	2,900	2,900	2,051	(849)
County impact assistance	1,300	1,300	3,141	1,841
<b>Total intermediate sources</b>	<b>4,200</b>	<b>4,200</b>	<b>5,192</b>	<b>992</b>
<b>State sources</b>				
State equalization	4,331,067	4,331,067	4,456,119	125,052
Vocational education	25,000	25,000	22,988	(2,012)
ELPA professional development			47,378	47,378
English language proficiency	50,000	50,000	32,964	(17,036)
Transportation	105,000	105,000	95,755	(9,245)
READ act	45,000	45,000	57,601	12,601
State grants for libraries	3,000	3,000	4,000	1,000
At-risk funding			11,567	11,567
Services within the BOCES	19,775	19,775	19,775	-
<b>Total state sources</b>	<b>4,578,842</b>	<b>4,578,842</b>	<b>4,748,147</b>	<b>169,305</b>
<b>Federal sources</b>				
Race to the top			17,157	17,157
<b>Total revenues</b>	<b>\$ 11,779,463</b>	<b>\$ 11,779,463</b>	<b>\$ 14,940,541</b>	<b>\$ 3,161,078</b>

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**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Instruction				
Salaries	\$ 4,394,929	\$ 4,394,929	\$ 4,137,317	\$ 257,612
Employee benefits	1,491,825	1,491,825	1,525,569	(33,744)
Purchased services	9,355	9,355	360,431	(351,076)
Supplies and materials	175,467	175,467	143,235	32,232
Property	7,975	7,975	261,704	(253,729)
Other	1,077	1,077	8,255	(7,178)
Total instruction	6,080,628	6,080,628	6,436,511	(355,883)
Supporting services				
Students				
Salaries	270,637	270,637	233,604	37,033
Employee benefits	110,388	110,388	86,725	23,663
Supplies and materials	4,125	4,125	3,259	866
Total students	385,150	385,150	323,588	61,562
Instructional staff				
Salaries	86,589	86,589	76,485	10,104
Employee benefits	49,137	49,137	40,367	8,770
Purchased services	50,000	50,000	18,333	31,667
Supplies and materials	41,833	41,833	28,370	13,463
Total instructional staff	227,559	227,559	163,555	64,004
General administration				
Salaries	198,168	198,168	197,972	196
Employee benefits	158,082	158,082	53,422	104,660
Purchased services	689,897	689,897	221,640	468,257
Supplies and materials	172,849	172,849	156,701	16,148
Other	139,500	139,500	13,259	126,241
Total general administration	1,358,496	1,358,496	642,994	715,502

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	675,348	675,348	661,088	14,260
Employee benefits	237,957	237,957	226,164	11,793
Purchased services	5,560	5,560	2,490	3,070
Supplies and materials	29,012	29,012	18,457	10,555
Property	3,500	3,500	67,958	(64,458)
Other	4,518	4,518		4,518
Total school administration	955,895	955,895	976,157	(20,262)
Business services				
Salaries	32,808	32,808	26,232	6,576
Employee benefits	8,048	8,048	11,656	(3,608)
Purchased services	16,832	16,832	22,150	(5,318)
Supplies and materials	10,500	10,500	10,348	152
Other			10,658	(10,658)
Total business services	68,188	68,188	81,044	(12,856)
Operations and maintenance				
Salaries	456,213	456,213	410,500	45,713
Employee benefits	188,484	188,484	157,143	31,341
Purchased services	316,673	316,673	388,898	(72,225)
Supplies and materials	530,000	530,000	481,293	48,707
Property	404,200	404,200	170,091	234,109
Total operations and maintenance	1,895,570	1,895,570	1,607,925	287,645
Student transportation				
Salaries	207,634	207,634	239,088	(31,454)
Employee benefits	82,019	82,019	92,833	(10,814)
Purchased services	41,000	41,000	38,186	2,814
Supplies and materials	171,000	171,000	99,467	71,533
Property	1,000	1,000	14,480	(13,480)
Total student transportation	502,653	502,653	484,054	18,599

(Continued)

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2017**

(Continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support				
Salaries	129,618	129,618	129,745	(127)
Employee benefits	45,285	45,285	42,003	3,282
Purchased services	395,335	395,335	317,913	77,422
Supplies and materials	40,000	40,000	68,123	(28,123)
Property	105,000	105,000	110,103	(5,103)
Total central support	715,238	715,238	667,887	47,351
Enterprise operations				
Salaries			317,702	(317,702)
Employee benefits			140,637	(140,637)
Total enterprise operations			458,339	(458,339)
Facilities acquisition				
Property			34,475	(34,475)
Total supporting services	6,108,749	6,108,749	5,440,018	668,731
Debt service				
Principal retirement	80,365	80,365	111,601	(31,236)
Interest and fiscal charges	13,976	13,976	14,095	(119)
Total debt service	94,341	94,341	125,696	(31,355)
Total expenditures	<u>\$ 12,283,718</u>	<u>\$ 12,283,718</u>	<u>\$ 12,002,225</u>	<u>\$ 281,493</u>

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

The District reports the following nonmajor governmental funds:

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

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

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

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2017**

	Special Revenue Funds			
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	Totals
<b>Assets</b>				
Cash	\$ 67,018			\$ 67,018
Cash with fiscal agent			\$ 378	378
Due from other funds			46,005	46,005
Property taxes receivable			5,836	5,836
Grants receivables	6,323	\$ 88,866		95,189
Other receivables	24,454			24,454
Inventory	27,862			27,862
<b>Total assets</b>	<b>\$ 125,657</b>	<b>\$ 88,866</b>	<b>\$ 52,219</b>	<b>\$ 266,742</b>
<b>Liabilities</b>				
Due to other funds	\$ 3,209	\$ 43,878		\$ 47,087
Accounts payable	15,049			15,049
Accrued salaries and benefits	17,056	44,988	\$ 48,499	110,543
<b>Total liabilities</b>	<b>35,314</b>	<b>88,866</b>	<b>48,499</b>	<b>172,679</b>
Deferred inflows of resources				
Deferred property tax revenues			3,720	3,720
<b>Fund balance</b>				
Nonspendable for inventory	27,862			27,862
Restricted for food service	62,481			62,481
<b>Total fund balance</b>	<b>90,343</b>	<b>-</b>	<b>-</b>	<b>90,343</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 125,657</b>	<b>\$ 88,866</b>	<b>\$ 52,219</b>	<b>\$ 266,742</b>

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds			Totals
	Food Service	Designated Purpose Grants	Full-Day Kindergarten Mill Levy Override	
<b>Revenues</b>				
Local sources	\$ 225,065		\$ 250,421	\$ 475,486
Intermediate sources			105	105
State sources	16,407			16,407
Federal sources	582,841	\$ 262,814		845,655
<b>Total revenues</b>	<b>824,313</b>	<b>262,814</b>	<b>250,526</b>	<b>1,337,653</b>
<b>Expenditures</b>				
Instruction		262,814	306,477	569,291
Supporting services	788,601		637	789,238
<b>Total expenditures</b>	<b>788,601</b>	<b>262,814</b>	<b>307,114</b>	<b>1,358,529</b>
Excess of revenues over (under) expenditures	35,712	-	(56,588)	(20,876)
<b>Other financing sources</b>				
Transfers in			56,588	56,588
<b>Net change in fund balance</b>	<b>35,712</b>	<b>-</b>	<b>-</b>	<b>35,712</b>
Fund balance at beginning of year	54,631	-	-	54,631
<b>Fund balance at end of year</b>	<b>\$ 90,343</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 90,343</b>

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Food Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 210,120	\$ 210,120	\$ 225,065	\$ 14,945
State sources	15,123	15,123	16,407	1,284
Federal sources	531,528	531,528	582,841	51,313
<b>Total revenues</b>	<b>756,771</b>	<b>756,771</b>	<b>824,313</b>	<b>67,542</b>
<b>Expenditures</b>				
Supporting services				
Salaries	220,300	220,300	66,125	154,175
Employee benefits	48,242	48,242	25,652	22,590
Purchased services	62,643	102,643	303,276	(200,633)
Supplies and materials	395,714	395,714	392,252	3,462
Property	2,000	2,000		2,000
Other	13,988	13,988	1,296	12,692
<b>Total expenditures</b>	<b>742,887</b>	<b>782,887</b>	<b>788,601</b>	<b>(5,714)</b>
<b>Net change in fund balance</b>	<b>\$ 13,884</b>	<b>\$ (26,116)</b>	<b>35,712</b>	<b>\$ 73,256</b>
Fund balance at beginning of year			54,631	
Fund balance at end of year			<b>\$ 90,343</b>	

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Designated Purpose Grants Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Federal sources				
Services within the BOCES	\$ 260,411	\$ 260,411	\$ 262,814	\$ 2,403
Total revenues	260,411	260,411	262,814	2,403
Expenditures				
Instruction				
Salaries	187,411	187,411	186,177	1,234
Employee benefits	50,000	50,000	65,841	(15,841)
Supplies	20,000	20,000	10,796	9,204
Total instruction	257,411	257,411	262,814	(5,403)
Supporting services				
Purchased services	3,000	3,000		3,000
Total expenditures	260,411	260,411	262,814	(2,403)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Full-Day Kindergarten Mill Levy Override Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Revenues</b>				
Local sources				
Property taxes	\$ 250,000	\$ 250,000	\$ 249,922	\$ (78)
Specific ownership taxes			208	208
Delinquent taxes and interest			291	291
Intermediate sources			105	105
Total revenues	250,000	250,000	250,526	526
<b>Expenditures</b>				
Instruction				
Salaries	235,000	235,000	226,793	8,207
Employee benefits	70,000	70,000	73,801	(3,801)
Supplies	15,000	15,000	5,883	9,117
Total instruction	320,000	320,000	306,477	13,523
Supporting services				
Purchased services	625	625	637	(12)
Total expenditures	320,625	320,625	307,114	13,511
Excess of revenues over (under) expenditures	(70,625)	(70,625)	(56,588)	14,037
<b>Other financing sources</b>				
Transfers in	70,625	70,625	56,588	(14,037)
Net change in fund balance	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

## **Budgetary Comparison Schedule – Debt Service Fund**

The District reports the following major debt service fund:

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

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Bond Redemption Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 1,540,103	\$ 1,540,103	\$ 1,540,393	\$ 290
Delinquent taxes and interest			1,784	1,784
Interest on investments	2,000	2,000	10,384	8,384
Intermediate sources	300	300	832	532
Total revenues	1,542,403	1,542,403	1,553,393	10,990
Expenditures				
Debt service				
Principal retirement	1,110,000	1,110,000	1,110,000	-
Interest and fiscal charges	136,950	136,950	125,850	11,100
Total expenditures	1,246,950	1,246,950	1,235,850	11,100
Net change in fund balance	\$ 295,453	\$ 295,453	317,543	\$ 22,090
Fund balance at beginning of year			1,712,357	
Fund balance at end of year			\$ 2,029,900	

## **Budgetary Comparison Schedules - Fiduciary Funds**

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

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

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

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

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

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Pupil Activity Agency Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 500,000	\$ 500,000	\$ 525,365	\$ 25,365
Total additions	500,000	500,000	525,365	25,365
Deductions				
Pupil activity expenditures	500,000	530,000	505,887	24,113
Total deductions	500,000	530,000	505,887	24,113
Excess of additions over (under) deductions	\$ -	\$ (30,000)	19,478	\$ 49,478
Due to student groups at beginning of year			214,424	
Due to student groups at end of year			\$ 233,902	

**BRUSH SCHOOL DISTRICT NO. RE-2(J)**  
**Scholarship Trust Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments			\$ 8	\$ 8
Contributions	\$ 170,000	\$ 170,000	143,581	(26,419)
Total revenues	170,000	170,000	143,589	(26,411)
Expenditures				
Scholarship awards	170,000	170,000	154,875	15,125
Total expenditures	170,000	170,000	154,875	15,125
Excess of revenues over (under) expenditures	\$ -	\$ -	(11,286)	\$ (11,286)
Net position at beginning of year			280,941	
Net position at end of year			\$ 269,655	

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**Colorado Department of Education  
Supplementary Schedule**

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

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**Independent Auditors' Report on Auditors' Integrity Report**

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

We have audited the financial statements of the Brush School District No. RE-2(J) (the District) as of and for the year ended June 30, 2017, and our report thereon dated November 29, 2017, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
November 29, 2017



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2395 - BRUSH RE-2(J)  
 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
<b>Governmental</b>				
10 General Fund	4,270,327	14,883,953	12,002,225	7,152,055
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>4,270,327</b>	<b>14,883,953</b>	<b>12,002,225</b>	<b>7,152,055</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
05 Supplemental Cap Const Tech, Main Fund	0	0	0	0
21 Food Service Spec Revenue Fund	54,631	824,313	788,601	90,343
22 Govt Designated-Purpose Grants Fund	0	262,815	262,815	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	307,114	307,114	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,712,357	1,553,393	1,235,850	2,029,900
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>6,037,315</b>	<b>17,831,568</b>	<b>14,596,604</b>	<b>9,272,299</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	280,841	143,589	154,895	269,655
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	214,424	505,365	505,887	233,902
79 GASB 24 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>495,264</b>	<b>648,954</b>	<b>660,782</b>	<b>503,557</b>

FINAL