

HOLLY SCHOOL DISTRICT RE-3  
HOLLY, COLORADO

FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED  
JUNE 30, 2017



**RECEIVED**

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**HOLLY SCHOOL DISTRICT RE-3  
ROSTER OF SCHOOL OFFICIALS**

**JUNE 30, 2017**

**BOARD OF EDUCATION**

Daniel Tefertiller - President  
Dana Barth - Vice President  
Neil Fletcher - Secretary  
Craig Schwab - Treasurer  
Cody Hess - Director

**ADMINISTRATIVE STAFF**

Corey Doss  
Superintendent of Schools

Heather Flint  
Principal of Schools

Shelbie Schenck  
Business Manager

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**FINANCIAL SECTION**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Required Supplementary Information)

## **HOLLY SCHOOL DISTRICT RE-3 MANAGEMENT'S DISCUSSION & ANALYSIS**

This section of the Holly School District RE-3's financial report offers readers of the District's financial statements its discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information furnished in the District's financial statements, which immediately follow this section.

The District's a net pension liability was \$9,265,877. Under GASB 68 the District's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association, is recorded as a liability of the District. Ending net position of governmental activities decreased by \$1,677,828 to \$21,157,656.

### **Financial Highlights**

The assets of Holly School District RE-3 exceeded its liabilities at the close of June 30, 2017 by \$21,157,656 (net position) as reported in the government-wide financial statements.

Expenses of \$4,992,310 were offset by program specific charges, grants and contributions of \$174,251. General revenues from amounted to \$3,140,231.

The General Fund reported a fund balance of \$3,437,812 at the close of June 30, 2017. Fund balance increased by \$443,012 over the prior year. This District strives to adopt a balanced budget, which will both meet and exceed the needs of the students and still help provide a stable foundation for the District.

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

The Holly School District RE-3 basic financial statements are comprised of three components

1. Government wide financial statements - focusing on long-term and short-term information about the District's overall financial status including the General Fund, Food Service Fund, Capital Project Funds, and Bond Fund.
2. Fund financial statements - focusing on individual parts of the government, reporting the District's operations in more detail than the government wide-statements
3. Notes to the financial statements - required supplemental information that further explain and supports the information in the financial statements

### **Government-wide Statements**

The financial statements provided are designed to supply the reader an overview of the District's financial activities similar to those statements used in the private sector. The government-wide statements relate to those activities directly related to the education of the students. The statement of net position includes all of the government's assets, liabilities and deferred flows. All of the current year revenues and expenses are accounted for in the statement of activities.

The two government-wide statements report the District's net position and how it has changed. Net position, the difference between the District's assets, liabilities and deferred flows, is one indicator of the District's financial health. Over time, increases or decreases in the District's net position measures whether the financial health is improving or deteriorating. Readers also need to consider additional non-fictional factors in rating the district overall such as changes in the District's tax base, student enrollment, and overall condition of buildings.

**TABLE 1 - CONDENSED STATEMENT OF NET POSITION**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current Assets	\$ 4,405,994	\$ 3,599,520
Other Assets	25,628,374	27,468,279
Total Assets	<u>30,034,368</u>	<u>31,067,799</u>
Deferred Outflows of Financial Resources	<u>3,564,684</u>	<u>216,658</u>
Current Liabilities	306,201	310,492
Long-Term Liabilities	<u>11,922,946</u>	<u>7,470,654</u>
Total Liabilities	<u>12,229,147</u>	<u>7,781,146</u>
Deferred Inflows of Financial Resources	<u>212,249</u>	<u>276</u>
Net Investment in Capital Assets	22,971,305	24,538,996
Restricted Net Position	715,180	527,068
Unrestricted Net Position	<u>(2,528,829)</u>	<u>(1,563,028)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$ 21,157,656</u></b>	<b><u>\$ 23,503,036</u></b>

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included within the governmental activities, such as instruction, support, general administration, food service, and capital outlay. The statements also indicate that funding for these services come primarily from state equalization, property tax, and grant sources.

**TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES**

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
<b>Program Revenues:</b>		
Charges for Services	\$ 68,781	\$ 67,223
Operating Grants	488,242	531,594
Capital Grants	<u>(382,772)</u>	<u>(555,862)</u>
Total Program Revenues	<u>174,251</u>	<u>42,955</u>
<b>General Revenues:</b>		
Taxes	964,174	951,349
State Equalization	2,077,356	1,967,267
Investment Income	14,663	16,211
Insurance Proceeds	33,293	29,448
Miscellaneous	<u>50,745</u>	<u>77,475</u>
Total General Revenues	<u>3,140,231</u>	<u>3,041,750</u>
<b>Total Revenues</b>	<b><u>3,314,482</u></b>	<b><u>3,084,705</u></b>
<b>Expenses</b>		
Instruction	2,864,497	2,046,645
Supporting Services	2,016,962	1,589,167
Interest on Long Term Debt	<u>110,851</u>	<u>116,445</u>
<b>Total Expenses</b>	<b><u>4,992,310</u></b>	<b><u>3,752,257</u></b>
<b>Change in Net Position</b>	<b>(1,677,828)</b>	<b>(667,552)</b>
<b>Net Position - Beginning</b>	<b>22,835,484</b>	<b>23,503,036</b>
<b>Net Position (Deficit) - Ending</b>	<b><u>\$ 21,157,656</u></b>	<b><u>\$ 22,835,484</u></b>

## **Fund Financial Statements**

Fund financial statements are designed to display compliance with finance-related legal requirements. A fund is a grouping of related accounts designed to keep control over resources segregated for specific activities or objectives. The Holly School District uses fund accounting to guarantee and prove compliance. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

## **Governmental Funds**

Governmental funds account for the same functions reported as governmental activities in the government-wide financial statements. However, governmental fund financial statements emphasize short-term financial resources and fund balances. Such information is used to evaluate the District's short-term financing requirements. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Comparison of the governmental funds with the government-wide funds may allow a better understanding of the long-term impact of the District's near-term financing decisions.

Holly School District maintains the following fund types:

General Fund - accounts for all financial resources except for those legally required to be accounted for separately.

Colorado Preschool Project Fund (CPP) - reported as part of the General Fund)- accounts for all financial resources related to preschool students identified by the CPP program.

Food Service Fund - accounts for all financial resources related to the operation of the school lunch program.

Bond Fund- tracks the tax income from the bonds and the payments to the holding company.

Capital Reserve/Capital Project Fund - accounts for resources to be used for capital items.

Capital Project Fund - accounts for the construction of District facilities.

Pupil Activity Agency Fund - accounts for all financial resources held by special interest groups such as clubs, organizations, and classes.

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

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

## **Required Supplementary Information**

The district adopts an annual appropriated budget for each of the individual governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget. Also the remaining governmental funds budgetary comparisons are reported as other supplemental information.

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Holly School District, assets exceeded liabilities by \$21,157,656 at the close of business on June 30, 2017.

Holly School District reported assets consisting of current assets of \$4,405,994 and net capital assets of \$25,628,374. Current assets include cash and cash equivalents primarily in the General Fund. The ratio of current assets to current liabilities of 12 to 1 indicates the district's ability to meet current obligations.

The District's total net position on June 30, 2017 was \$21,157,656. Of the District's net position, \$22,971,305 reflects investment in capital assets (land, buildings, infrastructure, machinery, and equipment, net debt). The District uses capital assets to provide services to students. Thus these assets are not available for future spending. The unrestricted net position of \$(2,528,829) may be used to meet the District's ongoing financial obligations.

	<b>Balance</b>			<b>Balance</b>
	<b>6/30/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/16</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Capital assets being depreciated:				
Buildings	4,601,477	83,195	-	4,684,672
Equipment	3,130,208	-	-	3,130,208
Food Service equipment	61,528	-	-	61,528
Transportation equipment	649,381	37,163	33,739	652,805
Land Improvements	799,223	-	-	799,223
Total capital assets being depreciated	<u>9,241,817</u>	<u>120,358</u>	<u>33,739</u>	<u>9,328,436</u>
Accumulated Depreciation				
Buildings	(1,996,637)	(113,076)	-	(2,109,713)
Equipment	(2,015,228)	(232,215)	-	(2,247,443)
Food Service equipment	(58,040)	(1,338)	-	(59,378)
Transportation equipment	(337,157)	(33,488)	(21,368)	(349,277)
Land Improvements	(231,328)	(24,161)	-	(255,489)
Total accumulated depreciation	<u>(4,638,390)</u>	<u>(404,278)</u>	<u>(21,368)</u>	<u>(5,021,300)</u>
<b>Net Capital Assets</b>	<b><u>\$ 4,713,427</u></b>	<b><u>\$ (283,920)</u></b>	<b><u>\$ 12,371</u></b>	<b><u>\$ 4,417,136</u></b>

The District also has three lease agreements for copy machines. The junior high/senior high copier lease is with Canon Financial Services, the elementary copier lease is with DeLage Landen, and the administrative copier lease is with Business Solutions. All are operating leases.

#### Long-term Debt

The District issued \$3,417,833 in General Obligation Bonds in 2011 as matching money for a BEST construction grant. The outstanding balance at year-end was \$2,657,069.

	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<b>7/1/16</b>	<b>Advances</b>	<b>Payments</b>	<b>6/30/17</b>	<b>Portion</b>
General obligation bonds, Series 2010	\$ 2,795,848	\$ -	\$ 138,779	\$ 2,657,069	\$ 144,444
PERA Net Pension Liability	4,938,309	4,327,568	-	9,265,877	-
<b>Total</b>	<b><u>\$ 7,734,157</u></b>	<b><u>\$ 4,327,568</u></b>	<b><u>\$ 138,779</u></b>	<b><u>\$ 11,922,946</u></b>	<b><u>\$ 144,444</u></b>

#### General Fund Budgetary Highlights

Holly School District Re-3 adopted a budget of \$5,668,591 the 2016-2017 fiscal year. The final budget and budget resolution was adopted on January 18, 2017.

The District planned to purchase a new 2017 46 passenger activity bus, however the purchase was unable to be made in the 2016-2017 fiscal year due to the company being unable to build the bus within the time constraints. The bus will be purchased the following year. REAP money was used purchase Apple Ipads and MacBooks to upgrade technology in the Secondary school. The District also spent approximately \$23,000 for the purchase of a K- 8 Math Curriculum.

#### Next Year' s Budget and Future Economic Status of the District

The district plans to use reserve funds to purchase a new bus that will be used for activity purposes. We plan to increase the salary schedule for classified staff and coaches. The REAP money will be used to upgrade technology and purchase additional chromebooks for the Junior High and High School.

#### Requests for Information

This financial report is designed to demonstrate accountability and provide the District' s citizens, taxpayers, customers, and creditors a general overview of the District's finances. Questions or comments concerning this report may be sent to Corey Doss, Superintendent of Schools, PO Box 608, Holly, CO 81047 or call 719-537-6616.

# Holscher, Mayberry & Company, LLC

Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Education  
Holly School District RE-3  
Holly, Colorado

## Independent Auditors' Report

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, the aggregate remaining fund information, and the related notes to the financial statements of the Holly School District RE-3, Colorado, as of and for the year ended June 30, 2017, which collectively comprise the basic financial statements of the District, 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 the 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 controls. 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.

**Opinion**

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 Holly School District RE-3, Colorado, as of June 30, 2017, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

**Report on Summarized Comparative Information**

We have previously audited the Holly School District RE-3's 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated January 10, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

**Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)**

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1-M4 and pension schedules on pages 34-35 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.

**Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 36-38 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. In addition, the combining and individual fund schedules on pages 39-44 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The 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. Such 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 basic 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.

**Report on Other Legal and Regulatory Requirements**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Colorado Department of Education Auditors' Electronic Financial Data Integrity Check Figures and Bolded Balance Sheet reports pages 45-48 are presented for state regulatory compliance and are 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 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

A handwritten signature in black ink that reads "Holscher, Mayberry + Company, LLC". The signature is written in a cursive, flowing style.

Englewood, CO  
September 8, 2017

### **BASIC FINANCIAL STATEMENTS**

The Basic Financial Statements provide a financial overview of the District's operations. These financial statements present the financial position and operating results of all government-wide and fund level activity as of June 30, 2017.

**HOLLY SCHOOL DISTRICT RE-3**  
**Statement of Net Position**  
**June 30, 2017**

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
<b>Assets</b>	
<b>Current Assets</b>	
Cash and Investments	\$ 3,887,304
Restricted Cash and Investments	429,076
Cash with Fiscal Agent	21,732
Taxes Receivable	52,685
Grants Receivable	5,436
Other Accounts Receivable	3,199
Inventory	<u>6,562</u>
<b>Total Current Assets</b>	<u>4,405,994</u>
<b>Other Assets</b>	
Capital Assets, not being depreciated	110,000
Capital Assets, being depreciated	4,307,136
Long-Term BEST Grant Receivable	<u>21,211,238</u>
<b>Total Other Assets</b>	<u>25,628,374</u>
<b>Total Assets</b>	<u>30,034,368</u>
<b>Deferred Outflows of Financial Resources</b>	
Contributions Subsequent to Measurement Date	132,431
Difference Between Actual and Expected Experience - net	115,837
Difference Between Projected and Actual Returns on Pension Plan Investments - net	309,832
Changes of Assumptions - net	<u>3,006,584</u>
<b>Total Deferred Outflows of Financial Resources</b>	<u>3,564,684</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u>\$ 33,599,052</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	
<b>Liabilities</b>	
<b>Current Liabilities</b>	
Accounts Payable	\$ 30,334
Accrued Interest	9,038
Accrued Salaries & Benefits	<u>266,829</u>
<b>Total Current Liabilities</b>	<u>306,201</u>
<b>Non-Current Liabilities</b>	
Due Within One Year	144,444
Due In More Than One Year	<u>11,778,502</u>
<b>Total Non-Current Liabilities</b>	<u>11,922,946</u>
<b>Total Liabilities</b>	<u>12,229,147</u>
<b>Deferred Inflows of Financial Resources</b>	
Difference Between Projected and Actual Pension Plan Experience - net	82
Changes of Assumptions - net	41,785
Change in District's Proportionate Share of Net Pension Liability - net	<u>166,350</u>
<b>Total Deferred Inflows of Financial Resources</b>	<u>212,249</u>
<b>Net Position</b>	
Net Investment in Capital Assets	22,971,305
Restricted Net Position	715,180
Unrestricted Net Position	<u>(2,528,829)</u>
<b>Total Net Position</b>	<u>21,157,656</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSTION</b>	<u>\$ 33,599,052</u>

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

HOLLY SCHOOL DISTRICT RE-3  
Statement of Activities  
For the Year Ended June 30, 2017

<u>Functions/Programs</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue</u>	
	<u>Expenses</u>	<u>Charges for</u> <u>Services</u>	<u>Operating Grants</u> <u>and Contributions</u>	<u>Capital Grants and</u> <u>Contributions</u>	<u>and Change in Net Position</u> <u>Governmental Activities</u>
<b>Primary Government</b>					
<b>Governmental Activities</b>					
Instruction	\$ 2,864,497	\$ 4,725	\$ 200,938	\$ -	\$ (2,658,834)
Supporting Services	2,016,962	64,056	287,304	(382,772)	(2,048,374)
Interest on Long Term Debt	110,851	-	-	-	(110,851)
<b>Total Primary Government</b>	<b>\$ 4,992,310</b>	<b>\$ 68,781</b>	<b>\$ 488,242</b>	<b>\$ (382,772)</b>	<b>(4,818,059)</b>
<b>General Revenues</b>					
Property Taxes					840,876
Specific Ownership Taxes					123,298
State Equalization					2,077,356
Investment Earnings					14,663
Insurance Proceeds					33,293
Other Revenues					50,745
<b>Total General Revenues and Transfers</b>					<b>3,140,231</b>
<b>Change in Net Position</b>					<b>(1,677,828)</b>
<b>Beginning Net Position</b>					<b>22,835,484</b>
<b>Ending Net Position</b>					<b>\$ 21,157,656</b>

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

HOLLY SCHOOL DISTRICT RE-3  
 Balance Sheet  
 Governmental Funds  
 June 30, 2017

	Debt Service			Totals	
	General Fund	Bond	Other	2017	2016
		Redemption	Governmental		
	Fund	Funds			
<b>ASSETS</b>					
Cash and Investments	\$ 3,687,576	\$ 52,588	\$ 147,140	\$ 3,887,304	\$ 3,457,449
Restricted Cash and Investments	-	429,076	-	429,076	429,076
Cash with Fiscal Agent	14,927	6,805	-	21,732	30,813
Taxes Receivable	36,459	16,226	-	52,685	57,661
Interfund Accounts Receivable	684	-	-	684	8,901
Grants Receivable	5,436	-	-	5,436	-
Other Accounts Receivable	3,027	-	172	3,199	3,027
Inventory	-	-	6,562	6,562	5,541
<b>TOTAL ASSETS</b>	<b>\$ 3,748,109</b>	<b>\$ 504,695</b>	<b>\$ 153,874</b>	<b>\$ 4,406,678</b>	<b>\$ 3,992,468</b>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>					
<b>Liabilities</b>					
Interfund Accounts Payable	\$ 684	\$ -	\$ -	\$ 684	\$ 8,901
Accounts Payable	30,334	-	-	30,334	114,435
Accrued Salaries & Benefits	254,610	-	12,219	266,829	277,351
<b>Total Liabilities</b>	<b>285,628</b>	<b>-</b>	<b>12,219</b>	<b>297,847</b>	<b>400,687</b>
<b>Deferred Inflows of Financial Resources</b>					
Deferred Inflows - Other	20,637	9,099	963	30,699	46,114
Deferred Inflows - Grants	4,032	-	-	4,032	2,324
<b>Total Deferred Inflows of Financial Resources</b>	<b>24,669</b>	<b>9,099</b>	<b>963</b>	<b>34,731</b>	<b>48,438</b>
<b>Fund Balance</b>					
Nonspendable Fund Balance	-	-	6,562	6,562	5,541
Restricted Fund Balance					
Restricted for Debt Service	-	495,596	-	495,596	445,826
Restricted for TABOR Emergencies	101,000	-	-	101,000	93,000
Restricted for BEST Reserve	117,900	-	-	117,900	89,400
Restricted for Colorado Preschool Program	684	-	-	684	8,901
Committed Fund Balance					
Committed for Food Service	-	-	52,709	52,709	43,810
Assigned Fund Balance					
Other Assigned Fund Balance	-	-	81,421	81,421	53,366
Unassigned Fund Balance	3,218,228	-	-	3,218,228	2,803,499
<b>Total Fund Balance</b>	<b>3,437,812</b>	<b>495,596</b>	<b>140,692</b>	<b>4,074,100</b>	<b>3,543,343</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<b>\$ 3,748,109</b>	<b>\$ 504,695</b>	<b>\$ 153,874</b>	<b>\$ 4,406,678</b>	<b>\$ 3,992,468</b>

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Reconciliation of Governmental Fund Balances**  
**to Governmental Activities Net Position**  
**June 30, 2017**

Fund Balance - Governmental Funds		\$ 4,074,100
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds		
Capital assets, not being depreciated	110,000	
Capital assets, being depreciated	9,328,436	
Accumulated depreciation	<u>(5,021,300)</u>	4,417,136
Certain long-term pension related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds		
Contributions subsequent to measurement date	132,431	
Difference Between Actual and Expected Experience (outflow)	194,543	
Amortization of Experience Difference	(78,706)	
Difference between projected and actual investment returns on the pension plan (outflow)	551,651	
Amortization of the investment return difference	(241,819)	
Changes of Assumptions (outflow)	4,223,824	
Amortization of Changes in Assumptions	(1,217,240)	
Net pension liability	(9,265,877)	
Difference between projected and actual pension plan experience (inflow)	(432)	
Amortization of the experience difference	350	
Changes of Assumptions (inflow)	(92,742)	
Amortization of Change in Assumptions	50,957	
Change in District proportionate share of the net pension liability (inflow)	(204,747)	
Amortization of the change in proportion	<u>38,397</u>	(5,909,410)
Certain long-term assets are not available to pay for current year expenditures and are therefore not reported in the funds		
Long-Term BEST Grant Receivable		21,211,238
Certain deferrals are reported at the fund level as they are not available to finance current operations. These amounts are reported as revenues at the activity level		
Deferred Property Taxes		30,699
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in the funds.		
Bonds payable	(2,657,069)	
Accrued interest payable	<u>(9,038)</u>	<u>(2,666,107)</u>
Total Net Position - Governmental Activities		<u>\$ 21,157,656</u>

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

HOLLY SCHOOL DISTRICT RE-3  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2017  
(With Comparative Totals for the Year Ended June 30, 2016)

	Debt Service			Totals	
	General Fund	Bond Redemption Fund	Other Governmental Funds	2017	2016
<b>REVENUES</b>					
Local Sources	\$ 837,442	\$ 299,873	\$ 30,496	\$ 1,167,811	\$ 1,138,157
Intermediate Sources	11,089	-	-	11,089	13,058
State Sources	2,479,014	-	3,375	2,482,389	2,243,636
Federal Sources	128,553	-	121,695	250,248	253,686
<b>TOTAL REVENUES</b>	<u>3,456,098</u>	<u>299,873</u>	<u>155,566</u>	<u>3,911,537</u>	<u>3,648,537</u>
<b>EXPENDITURES</b>					
Instruction	1,658,353	-	-	1,658,353	1,673,918
Pupil Support	139,782	-	-	139,782	130,006
Staff Support	44,571	-	-	44,571	166,832
General Administration	190,907	-	-	190,907	152,632
School Administration	128,014	-	-	128,014	122,735
Business Services	57,695	-	-	57,695	55,133
Operations and Maintenance	516,972	-	-	516,972	376,265
Transportation	186,749	-	-	186,749	249,503
Other Central Support	20,784	-	-	20,784	20,363
Food Service	-	-	145,591	145,591	139,128
Community Support	41,009	-	-	41,009	39,942
Facilities	250	-	-	250	250
Debt Service	-	250,103	-	250,103	250,234
<b>TOTAL EXPENDITURES</b>	<u>2,985,086</u>	<u>250,103</u>	<u>145,591</u>	<u>3,380,780</u>	<u>3,376,941</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	471,012	49,770	9,975	530,757	271,596
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer In (Out) - net	(28,000)	-	28,000	-	-
<b>CHANGE IN FUND BALANCE</b>	443,012	49,770	37,975	530,757	271,596
<b>BEGINNING FUND BALANCE</b>	<u>2,994,800</u>	<u>445,826</u>	<u>102,717</u>	<u>3,543,343</u>	<u>3,271,747</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,437,812</u>	<u>\$ 495,596</u>	<u>\$ 140,692</u>	<u>\$ 4,074,100</u>	<u>\$ 3,543,343</u>

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Reconciliation of Governmental Changes in Fund Balance**  
**to Governmental Activities Change in Net Position**  
**For the Year Ended June 30, 2017**

Change in Fund Balance - Governmental Funds		\$ 530,757
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Capitalized Asset Purchases	120,358	
Depreciation Expense	(404,278)	
Gain (Loss) on Asset Disposals	<u>(12,371)</u>	(296,291)
Pension expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
Change in contributions subsequent to the measurement date	1,727	
Change in the difference between actual and expected experience	104,631	
Change in the amortization of experience difference	(54,005)	
Current year projected to actual investment return difference	(4,667)	
Current year amortization of overall investment return differences	(105,396)	
Change in the changes of assumptions	4,223,824	
Change in the amortization of change in assumptions	(1,217,240)	
Change in net pension liability	(4,327,568)	
Current year projected to actual pension plan experience difference	16	
Current year amortization of overall experience differences	108	
Change in the changes of assumptions	3,480	
Change in the amortization of change in assumptions	24,522	
Current year change in proportionate share of cost-sharing plan liability	(163,417)	
Current year amortization of overall proportionate share differences	<u>58,984</u>	(1,455,001)
Certain long-term assets are not available to pay for current year expenditures and are therefore deferred in the funds		
Change in Deferred Revenue		(15,415)
The long term BEST grant receivable is being amortized due to depreciation on the underlying building that is the basis of grant.		
Amortization of BEST grant receivable		(581,130)
Repayments of long-term liabilities are expensed in the fund and reduce outstanding liabilities at the activity level. In addition, proceeds from long-term debt issuances are reported as revenues in the funds and increase liabilities at the activity level		
Principal payments on bonds payable	138,779	
Change in accrued interest payable	<u>473</u>	<u>139,252</u>
Change in Net Position - Governmental Activities		<u>\$ (1,677,828)</u>

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

**HOLLY SCHOOL DISTRICT RE-3**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2017**

		<u>Totals</u>	
	<u>Pupil Activity Agency Fund</u>	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>			
Cash and Investments	\$ 133,618	\$ 133,618	\$ 126,270
<b>NET POSITION</b>			
Restricted Net Position	<u>\$ 133,618</u>	<u>\$ 133,618</u>	<u>\$ 126,270</u>

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Holly School District RE-3 (the District) conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies:

**Reporting Entity**

In evaluating how to define the government, for financial reporting purposes, the District's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board ("GASB") Statement No. 14, "The Financial Reporting Entity."

Based upon the application of these criteria, no additional organizations are includable within the District's reporting entity.

**Jointly Governed Organizations**

The District is a participant among fourteen districts in a jointly governed organization to operate the Southeastern Colorado Board of Cooperative Educational Services (BOCES). The BOCES was formed for the purpose of administrative functions among member districts for special education and federal grants. The BOCES is governed by a board of directors consisting of a member of the board of education and the superintendent from each of the participating members. The District does not have an ongoing financial interest in or ongoing financial responsibility for the BOCES. Financial statements for the BOCES can be obtained from the BOCES administrative offices at: 703 South 3<sup>rd</sup> Street, Lamar, CO 81052. The District paid total assessments of \$40,215 to the BOCES for the year ended June 30, 2017.

**Basis of Presentation**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information of the District as a whole. The reporting information includes all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not present any business type activities.

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Basis of Presentation** (Continued)

Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by the recipients of goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program.

Revenues that are not classified as program revenues are presented as general revenues.

**Fund Financial Statements**

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category – governmental, proprietary and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds. The fiduciary funds are presented separately.

The District reports the following major governmental funds:

General Fund – This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service (Bond Redemption) – This fund is used to account for the repayment of the District's general obligation indebtedness.

In addition, the District reports the following nonmajor governmental funds:

Special Revenue (Food Service) Fund – This fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes, in this case the District's Food Service operation.

Capital Project (Capital Reserve) – This fund accounts for the District's routine capital projects.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Measurement Focus and Basis of Accounting**

The District reports the following fiduciary funds:

Agency Funds (Pupil Activity Funds) – These funds are used to account for the money held in trust by the District for student organizations. These funds are custodial and do not measure the results of operations.

**Government-Wide Financial Statements**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the same time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements**

Governmental Funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available as allowed by the per pupil operating revenue formula approved by the State legislature or within sixty days after year end. These revenues could include federal, state, and county grants, and some charges for services. Grants are only recognized to the extent allowable expenditures have been incurred. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

**Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Budgets and Budgetary Accounting (Continued)**

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- Budgets are required by state law for all funds. By 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.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Budgets are required to be filed with the Commissioner of Education within thirty days after the beginning of the fiscal year.
- Budgets may be revised until January 31st of the budget year.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted and amended by the Board of Education.
- Encumbrance accounting is not utilized.

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

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventories – Inventory of the proprietary fund is valued at the lower of cost (first-in, first-out) or market.

Due To and Due From Other Funds – Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)**

Capital Assets – Capital assets used in governmental activities operations are shown on the government-wide financial statements. These assets are not shown in the governmental funds and are therefore listed as a reconciling item between the two presentations. Property and equipment acquired or constructed for governmental fund operations are recorded as expenditures in the fund making the disbursement and capitalized at cost in the government-wide presentation. No depreciation has been provided on capital assets in the governmental funds.

Property and equipment is stated at cost. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The District capitalizes assets with an original value of at least \$5,000 and a useful life in excess of one year. Depreciation has been provided over the estimated useful lives of the underlying asset in the government-wide presentation. Depreciation is computed on a straight-line basis based on the following useful lives:

Buildings and Site Improvements	10-80 years
Vehicles	10-25 years
Other Equipment	5-15 years

Taxes Receivable – Property taxes are recognized as revenue in the year in which they are intended to finance operating expenses, pursuant to the Colorado school district funding formula. As 2016 property taxes were both measurable and available at June 30, 2017, the District has recognized a receivable (net of uncollectible portion) for property taxes levied January 1, 2017 but not collected by June 30, 2017. For those amounts not received within 60 days subsequent to year end, a deferred inflow was reported at the fund level.

Accumulated unpaid sick and vacation and other pay are serviced from other revenues in the General Fund. As the District only allows a carryover of 10 days of unused sick leave that is not paid upon termination, no liability has been recorded in the financial statements.

Long-Term Debt – The District’s general obligation bonds are accounted for in the Bond Redemption Fund. Principal repayments are shown as expenditures in the fund level financial statements. For the government-wide presentation, principal payments are reclassified as reductions in the outstanding obligation balances.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)**

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The government has items that qualify for reporting in this category, all related to outstanding pension obligations and further described in Note 7.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element 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. The District reports deferred inflows related to pension liabilities as further described in Note 7 as well as deferred inflows for grants and for property taxes at the fund level.

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

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

**Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position/Fund Balance (Continued)**

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

All other remaining governmental balances are reported as unassigned.

**Net Position/ Fund Balance and Flow Assumptions**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**Revenues and Expenditures/Expenses**

Revenues and Expenditures/Expenses – Revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees, and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Property Tax Revenues – Property taxes are levied on December 15 based on the assessed value of property as certified by the county assessor on August 17. Assessed values are an approximation of market value. The property tax may be paid in total by April 30 or one-half payment by February 28 and the second half by June 15. The billings are considered due on these dates. The bill becomes delinquent and penalties and interest may be assessed by the County Treasurer on the post mark day following these dates. The tax sale date is the first Thursday of November.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the District's financial position and operations. However, comparative data has not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to understand.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS**

A reconciliation of the cash components on the balance sheet to the cash categories in this footnote are as follows:

Deposits	\$ 4,020,741
Restricted Deposits (with fiscal agent)	429,076
Cash on hand	180
<b>Total</b>	<b><u>\$ 4,449,997</u></b>
Government-wide - unrestricted	\$ 3,887,303
Government-wide - restricted (with fiscal agent)	429,076
Fiduciary	133,618
<b>Total</b>	<b><u>\$ 4,449,997</u></b>

**Deposits**

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of bank failure, the government’s deposits may not be returned to it. The District’s deposit policy is in accordance with CRS 11-10.5-101, The Colorado Public Deposit Protection Act (PDPA), which governs the investment of public funds. PDPA requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels (\$250,000) must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The institution’s internal records identify collateral by depositor and as such, these deposits are considered uninsured but collateralized. The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2017, all of the District’s deposits as shown below were either insured by federal depository insurance or collateralized under PDPA and are therefore not deemed to be exposed to custodial credit risk.

	<b>Bank Balance</b>	<b>Carrying Balance</b>
FDIC Insured	\$ 700,000	\$ 700,000
PDPA collateralized*	50,000	50,000
Uncollateralized	3,717,972	3,699,817
Cash on hand	-	180
<b>Total</b>	<b><u>\$ 4,467,972</u></b>	<b><u>\$ 4,449,997</u></b>

\*Not in District's name

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments**

Credit Risk

Colorado statutes specify which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. government agency securities
- Certain international agency securities
- General obligation and revenue bonds of the U.S. 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

The District's investment policy limits its investments to those allowed by Colorado Revised Statute 24-75-601.1 as described above. For the fiscal year ended June 30, 2017, the District did not have any investments requiring disclosure.

Concentration of Credit Risk

The District places no limit on the amount that may be invested in any one issuer.

Interest Rate Risk

Colorado Statutes require that no investment may have a maturity in excess of five years from the date of purchase unless authorized by the local board. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, other than those contained in state statutes.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2017, the District did not have any investments requiring safekeeping.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 3: INVENTORIES**

Food Service Fund inventory of \$6,562 as of June 30, 2017, consisted of \$1,593 of purchased food, \$892 of non-food inventory and \$4,077 of donated commodities. Purchased inventories are stated at cost. Donated inventories, received at no cost under a program supported by the United States Government, are recorded at their estimated fair market value at the date of receipt.

**NOTE 4: CAPITAL ASSETS**

Activity for capital assets is summarized below:

	<b>Balance</b>			<b>Balance</b>
	<b>6/30/15</b>	<b>Additions</b>	<b>Deletions</b>	<b>6/30/16</b>
<b>Governmental activities</b>				
Capital assets not being depreciated:				
Land	\$ 110,000	\$ -	\$ -	\$ 110,000
Capital assets being depreciated:				
Buildings	4,601,477	83,195	-	4,684,672
Equipment	3,130,208	-	-	3,130,208
Food Service equipment	61,528	-	-	61,528
Transportation equipment	649,381	37,163	33,739	652,805
Land Improvements	799,223	-	-	799,223
Total capital assets being depreciated	<u>9,241,817</u>	<u>120,358</u>	<u>33,739</u>	<u>9,328,436</u>
Accumulated Depreciation				
Buildings	(1,996,637)	(113,076)	-	(2,109,713)
Equipment	(2,015,228)	(232,215)	-	(2,247,443)
Food Service equipment	(58,040)	(1,338)	-	(59,378)
Transportation equipment	(337,157)	(33,488)	(21,368)	(349,277)
Land Improvements	(231,328)	(24,161)	-	(255,489)
Total accumulated depreciation	<u>(4,638,390)</u>	<u>(404,278)</u>	<u>(21,368)</u>	<u>(5,021,300)</u>
<b>Net Capital Assets</b>	<b><u>\$ 4,713,427</u></b>	<b><u>\$ (283,920)</u></b>	<b><u>\$ 12,371</u></b>	<b><u>\$ 4,417,136</u></b>

The District has entered into a BEST grant agreement with the State of Colorado as further described in Note 13. For the prior year financial statement presentation, the State's portion of the building was presented as a capital asset and was depreciated. Since that portion of the District's facilities will not be owned by the District until the State repays its outstanding debt obligation related to the construction, the State portion has been reclassified as a long-term grant receivable that will be amortized through the debt obligation period and will be added to the District's capital assets upon the repayment.

Depreciation has been allocated to the District's operations in the activity level presentation as follows:

Instruction	\$ 214,068
Supporting services	<u>190,210</u>
<b>Total depreciation</b>	<b><u>\$ 404,278</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2017 is reflected as a liability in the respective funds in the accompanying financial statements as follows:

General Fund	\$ 254,610
Food Service Fund	<u>12,219</u>
Total Accrued Salaries and Benefits	<u>\$ 266,829</u>

**NOTE 6: LONG-TERM DEBT**

The following is a summary of long-term obligation transactions of the District for the year ended June 30, 2017:

	<u>Balance</u> <u>7/1/16</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>6/30/17</u>	<u>Current</u> <u>Portion</u>
General obligation bonds, Series 2010	\$ 2,795,848	\$ -	\$ 138,779	\$ 2,657,069	\$ 144,444
PERA Net Pension Liability	<u>4,938,309</u>	<u>4,327,568</u>	<u>-</u>	<u>9,265,877</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 7,734,157</u></b>	<b><u>\$ 4,327,568</u></b>	<b><u>\$ 138,779</u></b>	<b><u>\$ 11,922,946</u></b>	<b><u>\$ 144,444</u></b>

An interest summary of the District's long-term debt is as follows:

	<u>Accrued</u> <u>Interest</u>	<u>Interest</u> <u>Paid</u>	<u>Interest</u> <u>Expense</u>
General obligation bonds, Series 2010	\$ 9,038	\$ 111,294	\$ 110,821

In 2010, the District issued \$3,417,833 of general obligation bonds to refund bonds issued in 1999. Principal is due annually on December 1, and interest at rates from 1.50% to 3.30% is due semiannually on June 1 and December 1. The District realized \$45,385 of net present value savings on this refinancing. Payments are made through the Bond Redemption Fund of the District. Bond payments, to maturity, are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 144,444	\$ 105,513	\$ 249,957
2019	150,340	99,497	249,837
2020	156,477	93,235	249,712
2021	162,865	86,717	249,582
2022	169,513	79,933	249,446
2023-2031	<u>1,873,430</u>	<u>364,483</u>	<u>2,237,913</u>
<b>Total</b>	<b><u>\$ 2,657,069</u></b>	<b><u>\$ 829,378</u></b>	<b><u>\$ 3,486,447</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: 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).

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

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

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

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**General Information about the Pension Plan (Continued)**

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

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

<b>January 1<sup>st</sup> through December 31<sup>st</sup></b>	<b>2014<sup>1</sup></b>	<b>2015<sup>1</sup></b>	<b>2016<sup>1</sup></b>
Employer contribution rate	10.15%	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	3.80%	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%	4.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>16.43%</b>	<b>17.33%</b>	<b>18.13%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from District were \$253,232 for the plan year ended December 31, 2016 and \$381,338 for the fiscal year ended June 30, 2017.

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

At June 30, 2017, the District reported a liability of \$9,265,877 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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

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

The District’s proportion of the net pension liability was based on 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 .031121%, which was a decrease of .00145% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017 the District recognized pension expense of \$1,768,809. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	\$ 115,837	\$ (81)
Changes of assumptions or other inputs	\$ 3,006,584	\$ (41,785)
Net difference between projected and actual earnings on pension plan investments	\$ 309,830	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ (166,350)
Contributions subsequent to the measurement date	\$ 132,431	\$ -
<b>Total</b>	<b>\$ 3,564,682</b>	<b>\$ (208,216)</b>

\$132,431 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

Year Ended June 30:	Fiscal Year Total
2018	\$ (1,288,182)
2019	\$ (1,282,102)
2020	\$ (650,663)
2021	\$ (3,089)
Total	\$ (3,224,036)

*Actuarial assumptions.* The total pension liability as of December 31, 2016 was determined based on the December 31, 2015 actuarial valuation using the following rollforward assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount Rate	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1//07 and DPS benefit structure (automatic)	2.00%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

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

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

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

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial method and assumptions described 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 16, 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 3.5 percent.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce estimated amount to total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent 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 on a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increase 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).

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

- 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 GASB Statement No. 67 projections test indicates that the SCHDTF’s fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond 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 or after 2014 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting is a discount rate of 5.26 percent.

As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension 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 does not use the municipal bond index rate and the discount rate was 7.50 percent.

*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%, 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%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension asset (liability)	\$ (11,651,543)	\$ (9,265,877)	\$ (7,322,839)

*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).

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 8: 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 for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2017 program members contributed \$28,741.

**NOTE 9: OTHER POST-EMPLOYMENT 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 annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy* – The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the District contributions to the HCTF were \$14,171, \$14,306, and \$14,390, respectively, equal to their required contributions for each year.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 10: RISK MANAGEMENT**

Property and Liability Coverage

The District belongs to the Colorado School District Self Insurance Pool (“CSDSIP”) that was formed in 1981 to individual school districts more buying power and financial stability. By partnering with districts across the state, members gain better access to essential coverage at a competitive price, and more control over the entire risk management function. The coverage provided by CSDSIP is property, crime, general liability, auto liability and physical damage, and errors and omissions. CSDSIP became self-administered in 1997. The board of directors is comprised of nine persons who are district school board members, superintendents, or district business officials. Each member’s premium contribution is determined by CSDSIP based on factors including, but not limited to, the aggregate CSDSIP claims, the cost of administrative and other operating expenses, the number of participants, operating and reserve fund adequacy, investment income and reinsurance expense and profit sharing.

Reporting to the Division of Insurance, as well as an audit and actuarial study is conducted annually. These reports may be obtained by contacting the CSDSIP administrative offices at 6857 South Spruce Street, Centennial, CO 80112. The District has not materially changed its coverage from previous years. The District has not recorded any liability for unpaid claims at June 30, 2017.

CSDSIP has a legal obligation for claims against its members to the extent that funds are available in its annually established loss fund and amounts are available from insurance providers under excess specific and aggregate insurance contracts. Losses incurred in excess of loss funds and amounts recoverable from excess insurance are direct liabilities of the participating members. The ultimate liability to the District resulting from claims not covered by the pool is not recently determinable. Management is of the opinion that the final outcome of such claims, of any, will not have a material adverse effect on the District’s financial statements.

Workers Compensation

The District carries commercial insurance for worker’s compensation coverage. Risk of loss transfers to the carrier.

Health Insurance

The District currently carries commercial insurance for employee health coverage with risk of loss transferred to the carrier.

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 11: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

Claims and Judgments - The District participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units and are subject to the various rules and regulations of the grantor agencies. Expenditures financed by grants are subject to audit and adjustment by the appropriate grantor agency. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

TABOR Amendment - In November 1992, Colorado voters passed the TABOR Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the TABOR Amendment. In the November 1996 election, the District's electorate allowed the District to collect, retain and expand all revenues collected, notwithstanding the limits of the Amendment. The TABOR Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. The District has recorded a \$101,000 reserve in the General Fund to fully fund its 3% emergency reserve required by TABOR.

**NOTE 12: INTERFUND ACTIVITY**

The District has recorded the following routine operating transfers through June 30, 2017.

General Fund	
Transfer to Capital Reserve Project Fund	\$ (28,000)
Capital Reserve Projects Fund	
Transfer from General Fund	<u>28,000</u>
<b>Net Interfund Transfers</b>	<b><u>\$ -</u></b>

**NOTES TO THE FINANCIAL STATEMENTS**

**Year Ended June 30, 2017**

**NOTE 13: BEST GRANT/FACILITY IMPROVEMENTS**

The District received a BEST grant through the Colorado Department of Education for facility improvements that commenced during fiscal year 2010 with the District providing an upfront match payment held in escrow of \$3,417,833. The State funded their portion of this program, \$25,064,111 through Certificate of Participation issuances. The State coordinated the payment to the contractors with no funding flowing through the District other than for reimbursable costs that the District incurred. The District will not receive clear title to the improvements until the State has repaid the certificates. At that point, the District will record a capital asset and related accumulated depreciation for the cost of the BEST improvements, along with offsetting reduction of the outstanding long-term grant receivable.

The improvements completed by the BEST grant totaled \$23,245,193, and have a depreciated value of \$21,211,238 as of June 30, 2017. This amount has been recorded as long-term grant receivable as of June 30, 2016. As part of the BEST grant agreement, the District agreed to fund a capital replacement reserve in the amount of \$100 per funded pupil based on the annual October student count, commencing in fiscal year 2013. The amount set aside as of June 30, 2017 was \$117,900.

**NOTE 14: DEFICIT UNRESTRICTED NET POSTION**

The Governmental Activities has a deficit unrestricted net position of \$2,493,976, primarily due to the PERA net pension liability of \$9,265,877 further described in Note 7. As the District has no control over pension benefits or contribution rates, we expect this deficit to continue going forward.

**NOTE 15: BUDGET VIOLATION**

The District's expenditures exceeded appropriations in the Pupil Activity Agency Fund by \$10,815. This may be a violation of state statute.

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**REQUIRED SUPPLEMENTARY INFORMATION**

Pension Schedules (Unaudited)

**HOLLY SCHOOL DISTRICT RE-3**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE  
NET PENSION ASSET (LIABILITY)  
PERA Pension Plan  
Last 10 Fiscal Years<sup>(1)</sup>**

	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
District's proportion of the net pension asset (liability)	0.031121%	0.032289%	0.033508%	0.032566%
District's proportionate share of the net pension asset (liability)	\$ (9,265,877)	\$ (4,938,309)	\$ (4,541,470)	\$ (4,153,781)
District's covered-employee payroll	\$ 1,381,519	\$ 1,407,129	\$ 1,403,748	\$ 1,312,838
District's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	670.70%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.84%	64.07%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

**HOLLY SCHOOL DISTRICT RE-3**

**SCHEDULE OF DISTRICT CONTRIBUTIONS**

**PERA Pension Plan  
Last 10 Fiscal Years<sup>(1)</sup>**

	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Contractually required contributions	\$ 253,232	\$ 243,855	\$ 230,636	\$ 203,884
Actual contributions	<u>(253,232)</u>	<u>(243,855)</u>	<u>(230,636)</u>	<u>(203,884)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,381,519	\$ 1,407,129	\$ 1,403,748	\$ 1,312,838
Contributions as a percentage of covered-employee payroll	18.33%	17.33%	16.43%	15.53%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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**BUDGETARY COMPARISON SCHEDULES**

(Required Supplementary Information)

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2017

	2017				
	Original Budget	Original and Final Budget	Actual	Variance with Final Budget	2016 Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 575,074	\$ 575,074	\$ 595,174	\$ 20,100	\$ 556,468
Specific Ownership Taxes	56,616	56,616	85,009	28,393	82,898
Delinquent Taxes	2,000	2,000	99	(1,901)	1,774
Investment Earnings	12,000	12,000	13,995	1,995	15,632
Community Service Revenue	12,000	12,000	21,215	9,215	21,040
Rent Revenue	74,100	74,100	50,317	(23,783)	77,337
Donations	12,000	12,000	20,230	8,230	13,749
Sale of Fixed Assets	-	-	510	510	1,570
Insurance Proceeds	37,793	37,793	38,018	225	39,774
Other Local	6,000	6,000	12,875	6,875	7,658
Total Local Sources	<u>787,583</u>	<u>787,583</u>	<u>837,442</u>	<u>49,859</u>	<u>817,900</u>
<b>Intermediate Sources</b>					
Mineral Leases	150	150	40	(110)	144
Impact Fee Revenue	-	-	-	-	4,240
Other Intermediate Source Revenue	11,049	11,049	11,049	-	8,674
Total Intermediate Sources	<u>11,199</u>	<u>11,199</u>	<u>11,089</u>	<u>(110)</u>	<u>13,058</u>
<b>State Sources</b>					
State Equalization	1,977,731	1,977,731	2,077,356	99,625	1,967,267
Transportation	41,877	41,877	42,272	395	30,525
State Grants from CDE					
State ELPA	27,107	27,107	30,119	3,012	31,485
READ Act Grant	8,471	8,471	8,471	-	4,529
Library Grant	3,500	3,500	3,500	-	3,500
SRS	-	-	-	-	72,201
Additional At Risk	-	-	2,391	2,391	2,585
Best Capital Construction Program	-	-	198,358	198,358	21,028
Counselor Grant	81,140	81,140	81,140	-	71,567
State Vocational Education	6,397	6,397	11,512	5,115	10,535
State Grants Provided through BOCES	23,843	23,843	23,895	52	25,585
Total State Sources	<u>2,170,066</u>	<u>2,170,066</u>	<u>2,479,014</u>	<u>308,948</u>	<u>2,240,807</u>
<b>Federal Sources</b>					
Federal Grants from CDE					
NCLB Title I, Part A - Improving Basic Programs	90,196	90,196	88,483	(1,713)	100,173
NCLB Title II, Part A - Teacher & Principal Training	14,400	14,400	14,405	5	14,889
RTTT Readiness	-	-	197	197	144
Carl Perkins Vocational Education Supplemental	-	-	-	-	1,081
Direct Federal Revenue					
NCLB Title VI, Part B - REAP/Rural Education	20,147	20,147	20,147	-	16,584
Federal Provided through BOCES	3,000	3,000	5,321	2,321	3,270
Total Federal Sources	<u>127,743</u>	<u>127,743</u>	<u>128,553</u>	<u>810</u>	<u>136,141</u>
<b>TOTAL REVENUES</b>	<u>3,096,591</u>	<u>3,096,591</u>	<u>3,456,098</u>	<u>359,507</u>	<u>3,207,906</u>

See the accompanying Independent Auditors' Report  
(Continued)

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2017

	2017				2016 Actual
	Original Budget	Original and Final Budget	Actual	Variance with Final Budget	
(Continued)					
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries	1,015,249	1,015,249	999,664	15,585	1,025,933
Benefits	430,378	430,378	409,480	20,898	417,215
PS - Professional	23,123	23,123	18,629	4,494	23,396
PS - Other	139,450	139,450	117,837	21,613	127,879
Supplies	93,590	93,590	83,025	10,565	58,507
Property	26,047	26,047	23,988	2,059	20,987
Other Expenses	6,050	6,050	5,730	320	-
Total Instruction	<u>1,733,887</u>	<u>1,733,887</u>	<u>1,658,353</u>	<u>75,534</u>	<u>1,673,917</u>
<b>Supporting Services</b>					
<b>Pupil Support</b>					
Salaries	36,400	36,400	31,137	5,263	36,000
Benefits	15,125	15,125	13,959	1,166	14,574
PS - Professional	18,425	18,425	18,425	-	18,025
PS - Other	57,640	57,640	69,656	(12,016)	50,998
Supplies	7,000	7,000	6,059	941	4,624
Other Expenses	5,975	5,975	546	5,429	5,785
Total Pupil Support	<u>140,565</u>	<u>140,565</u>	<u>139,782</u>	<u>783</u>	<u>130,006</u>
<b>Staff Support</b>					
Salaries	13,976	13,976	13,976	-	13,709
Benefits	10,361	10,361	10,088	273	9,755
PS - Other	2,750	2,750	2,205	545	1,122
Supplies	8,750	8,750	5,754	2,996	4,240
Other Expenses	-	-	12,548	(12,548)	138,006
Total Staff Support	<u>35,837</u>	<u>35,837</u>	<u>44,571</u>	<u>(8,734)</u>	<u>166,832</u>
<b>General Administration</b>					
Salaries	80,000	80,000	80,000	-	75,000
Benefits	35,374	35,374	36,563	(1,189)	22,433
PS - Professional	17,000	17,000	21,629	(4,629)	10,947
PS - Other	41,800	41,800	32,740	9,060	31,534
Other Expenses	22,440	22,440	19,975	2,465	12,718
Total General Administration	<u>196,614</u>	<u>196,614</u>	<u>190,907</u>	<u>5,707</u>	<u>152,632</u>
<b>School Administration</b>					
Salaries	75,337	75,337	75,337	-	74,084
Benefits	49,171	49,171	46,942	2,229	45,211
PS - Other	1,000	1,000	765	235	-
Supplies	4,100	4,100	4,051	49	2,881
Other Expenses	900	900	919	(19)	559
Total School Administration	<u>130,508</u>	<u>130,508</u>	<u>128,014</u>	<u>2,494</u>	<u>122,735</u>

See the accompanying Independent Auditors' Report  
(Continued)

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund  
For the Year Ended June 30, 2017

	2017				2016 Actual
	Original Budget	Original and Final Budget	Actual	Variance with Final Budget	
(Continued)					
<b>EXPENDITURES (Continued)</b>					
<b>Supporting Services (Continued)</b>					
<b>Business Services</b>					
Salaries	33,600	33,600	33,600	-	34,800
Benefits	14,529	14,529	14,384	145	14,190
PS - Professional	6,000	6,000	3,858	2,142	1,293
PS - Other	600	600	468	132	449
Supplies	6,300	6,300	5,385	915	4,010
Property	-	-	-	-	391
Total Business Services	<u>61,029</u>	<u>61,029</u>	<u>57,695</u>	<u>3,334</u>	<u>55,133</u>
<b>Operations and Maintenance</b>					
Salaries	79,391	79,391	72,594	6,797	76,634
Benefits	39,192	39,192	37,059	2,133	35,604
PS - Professional	23,000	23,000	31,659	(8,659)	6,578
PS - Property	26,200	26,200	98,937	(72,737)	25,758
PS - Other	71,256	71,256	69,724	1,532	67,600
Supplies	227,213	227,213	200,685	26,528	160,487
Property	1,000	1,000	-	1,000	-
Other Expenses	7,966	7,966	6,314	1,652	3,604
Total Operations and Maintenance	<u>475,218</u>	<u>475,218</u>	<u>516,972</u>	<u>(41,754)</u>	<u>376,265</u>
<b>Transportation</b>					
Salaries	85,944	85,944	81,648	4,296	82,086
Benefits	25,648	25,648	24,296	1,352	23,331
PS - Professional	3,000	3,000	6,195	(3,195)	-
PS - Other	8,707	8,707	8,707	-	8,024
Supplies	55,000	55,000	27,281	27,719	33,224
Property	55,000	55,000	37,163	17,837	102,167
Other Expenses	1,500	1,500	1,459	41	671
Total Transportation	<u>234,799</u>	<u>234,799</u>	<u>186,749</u>	<u>48,050</u>	<u>249,503</u>
<b>Other Central Support</b>					
Salaries	17,350	17,350	17,350	-	17,083
Benefits	3,686	3,686	3,434	252	3,280
Total Other Central Support	<u>21,036</u>	<u>21,036</u>	<u>20,784</u>	<u>252</u>	<u>20,363</u>
<b>Community Support</b>					
Salaries	23,295	23,295	24,747	(1,452)	24,234
Benefits	15,553	15,553	16,262	(709)	15,708
Total Community Support	<u>38,848</u>	<u>38,848</u>	<u>41,009</u>	<u>(2,161)</u>	<u>39,942</u>
<b>Facilities/Capital Outlay</b>					
PS - Property	250	250	250	-	250
<b>Contingency</b>	<u>2,600,000</u>	<u>2,600,000</u>	<u>-</u>	<u>2,600,000</u>	<u>-</u>
<b>TOTAL EXPENDITURES</b>	<u>5,668,591</u>	<u>5,668,591</u>	<u>2,985,086</u>	<u>2,683,505</u>	<u>2,987,578</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(2,572,000)	(2,572,000)	471,012	3,043,012	220,328
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers	(28,000)	(28,000)	(28,000)	-	(28,000)
<b>CHANGE IN FUND BALANCE</b>	(2,600,000)	(2,600,000)	443,012	3,043,012	192,328
<b>BEGINNING FUND BALANCE</b>	2,600,000	2,600,000	2,994,800	394,800	2,802,472
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,437,812</u>	<u>\$ 3,437,812</u>	<u>\$ 2,994,800</u>

See accompanying Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

HOLLY SCHOOL DISTRICT RE-3  
 Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2017

	Special Revenue	Capital Projects	Totals	
		Capital Reserve		
	Food Service Fund	Project Fund	2017	2016
<b>ASSETS</b>				
Cash and Investments	\$ 65,719	\$ 81,421	\$ 147,140	\$ 109,300
Other Accounts Receivable	172	-	172	-
Inventory	6,562	-	6,562	5,541
<b>TOTAL ASSETS</b>	<u>\$ 72,453</u>	<u>\$ 81,421</u>	<u>\$ 153,874</u>	<u>\$ 114,841</u>
<b>LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accrued Salaries & Benefits	\$ 12,219	-	\$ 12,219	12,124
<b>Deferred Inflows of Financial Resources</b>				
Deferred Inflows - Other	963	-	963	-
<b>Fund Balance</b>				
Nonspendable Fund Balance	6,562	-	6,562	5,541
Committed Fund Balance				
Committed for Food Service	52,709	-	52,709	43,810
Assigned Fund Balance				
Other Assigned Fund Balance	-	81,421	81,421	53,366
<b>Total Fund Balance</b>	<u>59,271</u>	<u>81,421</u>	<u>140,692</u>	<u>102,717</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE</b>	<u>\$ 72,453</u>	<u>\$ 81,421</u>	<u>\$ 153,874</u>	<u>\$ 114,841</u>

See accompanying Independent Auditors' Report.

HOLLY SCHOOL DISTRICT RE-3  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2017

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Totals</u>	
		<u>Capital Reserve</u>		
	<u>Food Service Fund</u>	<u>Project Fund</u>	<u>2017</u>	<u>2016</u>
<b>REVENUES</b>				
Local Sources	\$ 30,441	\$ 55	\$ 30,496	\$ 28,403
State Sources	3,375	-	3,375	2,829
Federal Sources	<u>121,695</u>	<u>-</u>	<u>121,695</u>	<u>117,544</u>
<b>TOTAL REVENUES</b>	155,511	55	155,566	148,776
<b>EXPENDITURES</b>				
Food Service	<u>145,591</u>	<u>-</u>	<u>145,591</u>	<u>139,128</u>
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	9,920	55	9,975	9,648
Transfer In (Out) - net	<u>-</u>	<u>28,000</u>	<u>28,000</u>	<u>28,000</u>
<b>CHANGE IN FUND BALANCE</b>	9,920	28,055	37,975	37,648
<b>BEGINNING FUND BALANCE</b>	<u>49,351</u>	<u>53,366</u>	<u>102,717</u>	<u>65,069</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 59,271</u>	<u>\$ 81,421</u>	<u>\$ 140,692</u>	<u>\$ 102,717</u>

See accompanying Independent Auditors' Report.

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### **SPECIAL REVENUE FUND**

This fund is used to account for the proceeds of specific revenue sources (other than expendable trust or major capital projects) that are restricted to expenditures for specified purposes:

The District reports the following Special Revenue Fund:

Food Service Fund

This fund is used to account for the District's Food Service operation.

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Food Service Fund  
For the Year Ended June 30, 2017

	2017			2016 Actual
	Final Budget	Actual	Variance with Final Budget	
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 60	\$ 45	\$ (15)	\$ 40
Food Service Revenue	21,000	28,343	7,343	26,730
Rent Revenue	2,000	2,053	53	1,606
Total Local Sources	<u>23,060</u>	<u>30,441</u>	<u>7,381</u>	<u>28,376</u>
<b>State Sources</b>				
State Match - Child Nutrition	1,500	1,242	(258)	1,200
Smart Start Nutrition	1,000	1,157	157	899
State K-2 Reduced Lunch	1,000	976	(24)	730
Total State Sources	<u>3,500</u>	<u>3,375</u>	<u>(125)</u>	<u>2,829</u>
<b>Federal Sources</b>				
School Breakfast Program	28,000	36,585	8,585	35,585
National School Lunch Program	58,000	74,738	16,738	72,676
Commodity Revenue	-	10,372	10,372	9,283
Total Federal Sources	<u>86,000</u>	<u>121,695</u>	<u>35,695</u>	<u>117,544</u>
<b>TOTAL REVENUES</b>	<u>112,560</u>	<u>155,511</u>	<u>42,951</u>	<u>148,749</u>
<b>EXPENDITURES</b>				
<b>Food Service</b>				
Salaries	46,361	45,543	818	45,329
Benefits	32,007	31,343	664	30,439
PS - Other	1,000	103	897	331
Supplies	7,728	2,278	5,450	1,972
Food	61,000	55,952	5,048	51,761
Commodities	811	10,372	(9,561)	9,283
Depreciation	3,500	-	3,500	-
Other Expenses	153	-	153	13
<b>TOTAL EXPENDITURES</b>	<u>152,560</u>	<u>145,591</u>	<u>6,969</u>	<u>139,128</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
CHANGE IN FUND BALANCE	(40,000)	9,920	49,920	9,621
BEGINNING FUND BALANCE	40,000	49,351	9,351	39,730
ENDING FUND BALANCE	<u>\$ -</u>	<u>\$ 59,271</u>	<u>\$ 59,271</u>	<u>\$ 49,351</u>

See accompanying Independent Auditors' Report.

### **DEBT SERVICE FUND**

Debt Service Funds These funds are used to account for the repayment of the District's general obligation indebtedness.

The District has the following debt service fund:

#### **Bond Redemption Fund**

This fund is used to account for the repayment of the District's general obligation indebtedness.

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Bond Redemption Fund  
For the Year Ended June 30, 2017

	2017		Variance with Final Budget	2016	
	Final Budget	Actual		Budget	Actual
<b>REVENUES</b>					
<b>Local Sources</b>					
Property Taxes	\$ 200,000	\$ 260,979	\$ 60,979	\$ 251,468	
Specific Ownership Taxes	35,000	38,289	3,289	39,017	
Delinquent Taxes	800	38	(762)	855	
Investment Earnings	500	567	67	514	
<b>TOTAL REVENUES</b>	<u>236,300</u>	<u>299,873</u>	<u>63,573</u>	<u>291,854</u>	
<b>EXPENDITURES</b>					
<b>Debt Service</b>					
Principal	195,843	138,779	57,064	133,336	
Interest	302,791	111,324	191,467	116,898	
<b>TOTAL EXPENDITURES</b>	<u>498,634</u>	<u>250,103</u>	<u>248,531</u>	<u>250,234</u>	
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(262,334)	49,770	312,104	41,620	
<b>BEGINNING FUND BALANCE</b>	<u>262,334</u>	<u>445,826</u>	<u>183,492</u>	<u>404,206</u>	
<b>ENDING FUND BALANCE</b>	<u>\$ -</u>	<u>\$ 495,596</u>	<u>\$ 495,596</u>	<u>\$ 445,826</u>	

See accompanying Independent Auditors' Report.

## **CAPITAL PROJECTS FUND**

Capital Reserve Project Fund - This fund accounts for the District's routine capital projects.

HOLLY SCHOOL DISTRICT RE-3  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Capital Reserve Project Fund  
For the Year Ended June 30, 2017

	2017		Variance with Final Budget	2016
	Final Budget	Actual		Actual
<b>REVENUES</b>				
<b>Local Sources</b>				
Investment Earnings	\$ 50	\$ 55	\$ 5	\$ 27
<b>EXPENDITURES</b>				
<b>Facilities/Capital Outlay</b>				
Land and Improvements	81,415	-	81,415	-
<b>REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES</b>	(81,365)	55	81,420	27
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers	28,000	28,000	-	28,000
<b>CHANGE IN FUND BALANCE</b>	(53,365)	28,055	81,420	28,027
<b>BEGINNING FUND BALANCE</b>	53,365	53,366	1	25,339
<b>ENDING FUND BALANCE</b>	\$ -	\$ 81,421	\$ 81,421	\$ 53,366

See accompanying Independent Auditors' Report.

## **FIDUCIARY (AGENCY) FUNDS**

Fiduciary (Agency) Funds are used to account for assets held by the District as an agent for individuals, private and student groups. The agency funds are custodial in nature and do not involve measurement of results of operations.

### **Pupil Activity Fund**

The District has established an agency fund to account for various student activity groups and contributions from private organizations.

**HOLLY SCHOOL DISTRICT RE-3**  
**Schedule of Changes in Fiduciary Net Position**  
**Budget and Actual**  
**Fiduciary Funds**  
**Pupil Activity Agency Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Totals for the Year Ended June 30, 2016)**

	<b>2017</b>			<b>2016</b>
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance with Final Budget</b>	
<b>ADDITIONS</b>				
Local Sources	\$ 200,000	\$ 218,163	\$ 18,163	\$ 181,382
<b>DEDUCTIONS</b>				
Instruction	200,000	210,815	(10,815)	183,994
<b>CHANGE IN NET POSITION</b>	-	7,348	7,348	(2,612)
<b>BEGINNING NET POSITION</b>	-	126,270	126,270	128,882
<b>ENDING NET POSITION</b>	<u>\$ -</u>	<u>\$ 133,618</u>	<u>\$ 133,618</u>	<u>\$ 126,270</u>

See accompanying Independent Auditors' Report.

## **STATE COMPLIANCE**

This report includes information required by the Colorado Department of Education.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2670 - HOLLY RE-3  
 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	2,985,899	3,338,363	2,887,135	3,437,127
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	8,901	89,735	97,952	684
<b>Sub- Total</b>	<b>2,994,800</b>	<b>3,428,098</b>	<b>2,985,087</b>	<b>3,437,811</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	49,351	155,511	145,591	59,271
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	445,826	299,873	250,103	495,596
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	53,366	28,055	0	81,421
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>3,543,343</b>	<b>3,911,537</b>	<b>3,380,781</b>	<b>4,074,099</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	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	126,270	218,164	210,815	133,618
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>126,270</b>	<b>218,164</b>	<b>210,815</b>	<b>133,618</b>

FINAL



**Colorado Department of Education**  
**Bolded Balance Sheet Report**

District: 2670 - HOLLY RE-3  
 Fiscal Year 2016-17  
 Colorado School District/BOCES

ASSETS	Governmental							Proprietary					Fiduciary		
	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45,47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Cash and Investments (8100-8104,8111)	3,687,575	0	0	0	0	65,720	52,588	81,421	0	0	0	133,618	0	4,020,922	
Cash with Fiscal Agent (8105)	14,927	0	0	0	0	0	435,881	0	0	0	0	0	0	450,808	
Other Investment Accounts (8112-8115)	3,027	0	0	0	0	0	0	0	0	0	0	0	0	3,027	
Taxes Receivable (8121,8122)	36,459	0	0	0	0	0	16,226	0	0	0	0	0	0	52,685	
Interfund Loans Receivable (8131,8132)	0	0	684	0	0	0	0	0	0	0	0	0	0	684	
Grants Accounts Receivable (8142)	5,436	0	0	0	0	0	0	0	0	0	0	0	0	5,436	
Other Receivables (8151-8154,8161)	0	0	0	0	0	172	0	0	0	0	0	0	0	172	
Inventories (8171,8172,8173)	0	0	0	0	0	6,562	0	0	0	0	0	0	0	6,562	
Machinery and Equipment (8241,8242,8251)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
<b>Total Assets</b>	<b>3,747,424</b>	<b>0</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>72,453</b>	<b>504,696</b>	<b>81,421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>133,618</b>	<b>0</b>	<b>4,540,296</b>	

See accompanying Independent Auditor's Report.

**Governmental**

**Proprietary**

**Fiduciary**

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>LIABILITIES &amp; FUND EQUITY</b>															
<b>LIABILITIES</b>															
Interfund Payables (7401,7402)	684	0	0	0	0	0	0	0	0	0	0	0	0	0	684
Other Payables (7421-7423)	30,334	0	0	0	0	0	0	0	0	0	0	0	0	0	30,334
Contracts Payable (7431-7433)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accrued Expenses (7461)	254,610	0	0	0	0	12,219	0	0	0	0	0	0	0	0	266,829
Unearned Revenue (7481)	0	0	0	0	0	0	9,099	0	0	0	0	0	0	0	9,099
Grants Deferred Revenue (7482)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Deferred Inflow (7800)	20,637	0	0	0	0	963	0	0	0	0	0	0	0	0	21,600
Deferred Inflow Grants (7801)	4,032	0	0	0	0	0	0	0	0	0	0	0	0	0	4,032
<b>Total Liabilities</b>	<b>310,297</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,182</b>	<b>9,099</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>332,578</b>

See accompanying Independent Auditor's Report.

**Governmental**

**Proprietary**

**Fiduciary**

<b>FUND EQUITY</b>	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
Non-spendable Fund Balance 6710	0	0	0	0	0	6,562	0	0	0	0	0	0	0	0	6,562
Restricted Fund Balance 6720	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TABOR 3% Emergency Reserve 6721	101,000	0	0	0	0	0	0	0	0	0	0	0	0	0	101,000
TABOR Multi-Year 6722	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
District Emergency Reserve (letter of credit or real estate) 6723	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Colorado Preschool Program (CPP) Reserve 6724	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Full-Day Kindergarten Reserve 6725	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Risk-Related / Restricted Capital Reserve 6726	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
BEST Capital Reserve 6727	117,900	0	0	0	0	0	0	0	0	0	0	0	0	0	117,900
Committed Fund Balance 6750	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Assigned Fund Balance 6760	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unassigned Fund Balance 6770	3,218,227	0	684	0	0	52,710	495,596	81,421	0	0	0	0	133,618	0	3,982,256
Invested in Capital Assets, Net of Related Debt 6790	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restricted Net Assets 6791	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Unrestricted Net Assets 6792	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Prior Period Adjustment 6880	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Fund Equity</b>	<b>3,437,127</b>	<b>0</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>59,271</b>	<b>495,596</b>	<b>81,421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>133,618</b>	<b>0</b>	<b>4,207,718</b>

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk-Related Activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85	Totals
<b>Total Liabilities &amp; Fund Equity</b>	<b>3,747,424</b>	<b>0</b>	<b>684</b>	<b>0</b>	<b>0</b>	<b>72,453</b>	<b>504,696</b>	<b>81,421</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>133,618</b>	<b>0</b>	<b>4,540,296</b>

	General Funds 10,12-18	Charter School Fund 11	Preschool Fund 19	Special Revenue Funds 20, 22-29	Supplemental Cap Const Fund 06	Food Service Special Revenue Fund 21	Debt Service Funds 30-39	Capital Projects Funds 40-45, 47-49	Supplemental Cap Const Fund 46	Other Enterprise Funds 50, 52-59	Risk related activity Funds 63-64	Other Internal Service Funds 60	Trust & Agency Funds 70-79	Foundations Fund 85
<b>Do Assets=Liability+Fund Equity</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes