

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

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended June 30, 2018**

**Prepared by the Finance Department**

*Samantha Gallagher, Director of Finance  
Carla Hotter, Grants Fiscal Coordinator  
Kira Horenn, Lead Accountant*



**Wall,  
Smith,  
Bateman** Inc.

Certified Public Accountants

# DURANGO SCHOOL DISTRICT 9-R

## TABLE OF CONTENTS

June 30, 2018

	<u>Page</u>
<b><u>INTRODUCTORY SECTION</u></b>	
Letter of Transmittal	i - v
<b><u>FINANCIAL SECTION</u></b>	
<b>Independent Auditors' Report</b>	vi
<b>Management's Discussion and Analysis</b>	ix
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds	4
Balance Sheet to the Statement of Net Position	
Statement of Revenues, Expenditures, and	5
Changes in Fund Balances - Governmental Funds	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	6
Fund Balances of the Governmental Funds to the Statement of Activities	
Statement of Net Position - Proprietary Funds	7
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	8
Statement of Cash Flows - Proprietary Funds	9
Statement of Fiduciary Assets and Liabilities	10
Notes to the Basic Financial Statements	11
<b>Required Supplementary Information</b>	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
General Fund	40
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	
Governmental Designated Grants Fund	41
Schedule of District's Proportionate Share of the Net Pension Liability - PERA SCHDTF Pension Plan	42
Schedule of District Contributions - PERA SCHDTF Pension Plan	43
Schedule of District's Proportionate Share of the Net OPEB Liability - PERA SCHDTF Healthcare Trust Fund	44-45
Schedule of District Contributions - PERA SCHDTF Healthcare Trust Fund OPEB	
<b>Supplementary Information</b>	
Governmental Non-Major Funds	
Combining Balance Sheet	46
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	47
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Food Service Fund	48
Interscholastic Activities Fund	49
Capital Reserve Capital Projects Fund	50
Debt Service Fund	51
Proprietary Funds	
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	
After School Enrichment Program Fund	52
Combining Schedule of Net Position - Internal Service Funds	53
Schedule of Revenues, Expenses, and Changes in Net Position - Internal Service Funds	54
Combining Schedule of Cash Flows	55
Schedule of Revenues, Expenses, and Changes in Net Position - Budget and Actual	
Dental Insurance Fund	56
Health Insurance Fund (Non-GAAP)	57

# DURANGO SCHOOL DISTRICT 9-R

## TABLE OF CONTENTS

June 30, 2018

Page

### STATISTICAL SECTION

Financial Trends	
Net Position by Component	58
Changes in Net Position	59
Fund Balances of Governmental Funds	60
Changes in Fund Balances of Governmental Funds	61
Revenue Capacity	
Assessed Value and Estimated Actual Value of Taxable Property	62
Property Tax Rates - Direct and Overlapping Governments	63
Principal Property Tax Payers	64
Property Tax Levies and Collections	65
Debt Capacity	
Legal Debt Margin Information	66
Ratio of General Bonded Debt to Assessed Value and Bonded Debt Per Capita	67
Ratio of Annual Debt Service Expenditures for General Bonded Debt to General Fund Expenditures	68
Ratio of Outstanding Debt by Type	69
Computation of Direct and Overlapping Debt	70
Demographic and Economic Information	
Demographic and Economic Statistics	71
Principal Employers for the La Plata County	72
Operating Information	
Capital Assets by Function	73
Full-Time Equivalent District Employees by Fund and Employee Type	74
Nutrition Services- Facts and Figures	75
Miscellaneous Statistical Data	76

### SINGLE AUDIT SECTION

Schedule of Expenditures of Federal Awards	77
Notes to the Schedule of Expenditures of Federal Awards	79
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	80
Independent Auditors' Report on Compliance for each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	82
Schedule of Findings and Questioned Costs	84
Summary Schedule of Prior Audit Findings	85

### CDE COMPLIANCE SECTION

Colorado School District Auditor's Integrity Report	
-----------------------------------------------------	--



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

---

October 19, 2018

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

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

**Introduction**

The Comprehensive Annual Financial Report of the Durango School District 9-R (the District) is submitted in compliance with the 29-1-603 of the Colorado Revised Statutes and the applicable by-laws of the District's Board of Education. This Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2018 was prepared by the Financial Services Department and includes the report of the independent auditors Wall, Smith, Bateman Inc. The responsibility for both the accuracy of the data presented and the completeness and fairness of the presentation, including all disclosures, remains with the District. Accordingly, the District has established and continues to refine a comprehensive framework of controls to protect the District's assets and to compile sufficiently reliable information for the preparation of the District's financial statements in conformity with generally accepted accounting principles (GAAP). The cost of controls should not outweigh their benefit; accordingly, the District's financial framework has been designed to provide reasonable rather than absolute assurance that the financial statements are free from material misstatement. As management, to the best of our knowledge and belief, we assert that the data presented is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the District as measured by the financial activity of its various funds. The District received an unmodified opinion of the financial statements for the year ended June 30, 2018 as the independent auditors concluded that there was reasonable assurance the financial statements are free of material misstatement. GAPP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A.

This CAFR is presented in five sections: introductory, financial, statistical, single audit and Colorado Department of Education Compliance.

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

## **PROFILE OF THE DISTRICT**

The District’s financial operations support Durango School District 9-R’s mission. Durango School District 9-R serves more than 5,000 students in twelve schools in La Plata County.

The District is a fiscally and politically independent subdivision operating under the applicable laws of the State of Colorado governed by a five-member Board of Education (the “Board”). The Board is empowered to establish annual operating and capital budgets; determine the K-12 educational programs and services to be carried on in the schools of the District; employ all personnel necessary to maintain District operations; determine staffing levels and compensation thereof; and to prescribe the curriculum of any course of instruction or study through the District’s educational programs and services. The District receives funding from local, state and federal government sources and must comply with the requirements of such funding sources.

In defining and determining the District as an appropriate reporting entity, the District has considered the scope of public services of various associations and entities. Using the above considerations the District’s charter school, The Juniper School is included as a discretely presented component unit.

## **ECONOMIC CONDITIONS AND OUTLOOK**

The current model of state funding creates one of the largest obstacles for the District to provide the financial resources necessary for educators to achieve the District’s academic goals. In November 2000, Colorado voters approved a constitutional amendment (commonly known as “Amendment 23”) that sets minimum levels of increase in the statewide base per pupil funding amount and the total state funding for categorical programs. Amendment 23 stipulates that the General Assembly must adjust that base each year by the rate of inflation increase plus one-percent for the ten year period beginning FY 2001-02, and by at least the rate of inflation thereafter.

Colorado has a very complex public school funding formula that was developed in 1994 called the Public School Finance Act. School districts in Colorado are funded on a per pupil basis. The state calculates each district’s PPR based on a number of factors including at-risk enrollment (i.e. high poverty), size of the district, cost of personnel, and cost of living. From a very high level, the state calculates each district’s PPR, subtracts the amount of funding generated by local property taxes, and then funds the remaining balance through an allocation called “State Equalization”. This combined state equalization and local property tax funding amount is termed “Total Program”.

Local property tax revenue makes up 33% of public school funding in the state. Beginning with the recession in 2008, assessed valuations across the state declined as a result of lower property tax collections while tax receipts from state income and sales/use also declined due to the economic downturn. The state is strained since it is responsible to backfill any funding losses from declines in local property taxes (i.e. "State Equalization"). Given that K-12 funding makes up close to 40% of the State of Colorado's budget, the state was forced to make a choice between fully funding K-12 education or continuing to fund other vital public services such as Corrections, Healthcare/Medicaid, Higher Education, and Human Services. Beginning in FY2010-11, the state introduced the "Negative Factor" to reduce school funding to a level that it could afford. For FY2018-19, the Negative Factor reduces annual funding for K-12 education by \$672 million below fully funded or \$4.19 million for Durango School District 9-R.

State statute allows school districts to levy general fund taxes at a general or special Override Election Mill Levy. The maximum amount of the revenue increase may not exceed 25% of the District's formula funding, plus a cost of living adjustment from 2002. In 2010 and 2016 the voters of Durango approved mill levy overrides. The 2010 mill levy override was a fixed dollar amount of \$3.2 million. The 2016 Override Election mill levy has a variable mill amount, which can be adjusted annually as long as the total revenue amount for all mills does not exceed the maximum collection amount of 25% of revenue plus cost of living adjustment.

The District has been able to limit the impact of these complications on our classrooms by effectively managing costs. As a result of improved economic conditions, Per Pupil Revenue (PPR) for FY2018-19 is expected to grow \$420 over the PPR for FY2017-18 from \$7,534 to \$7,954. Durango School District 9-R manages the funding gaps and improves the educational offerings for our students through prudent fiscal management, the support of local voters through mill levy overrides and state, federal and private grants received. The District continues to manage fund balances to ensure that future uncertainties can be addressed without major interruptions to core educational services.

## **MAJOR INITIATIVES**

### **Licensed Compensation System**

In the start of the FY2017-18 school year the District and Durango Education Association entered into a new compensation system. This new phased system was designed to help licensed professionals develop competencies in several areas (Leadership, Knowledge & Skills, Certifications, Community Involvement, Committee Work, Professional and Student Achievement Goals). This new compensation system no longer moves employees on a step and column outlook but in a phased approach based on earning points within the competency areas.

## **FINANCIAL INFORMATION**

### **Internal Control**

The management team of the District is responsible for establishing and maintaining effective internal control to ensure that the assets of the District are protected from loss, theft or misuse and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with GAAP. The District's system of internal control is designed to provide reasonable, but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived from its implementation; and, (2) the valuation of costs and benefits require estimates and judgement by management.

### **Single Audit**

As a recipient of federal, state and local financial assistance, the District is also responsible for maintaining effective internal control to ensure compliance with applicable laws and regulations related to those programs. This system of internal control is subject to periodic evaluation by management.

As part of the District's single audit, tests are made to determine the adequacy of its internal control, including that portion related to federal financial assistance programs, as well as to determine that the District has complied with applicable laws and regulations.

### **Accounting and Budgetary Controls**

The District maintains its records on the full accrual basis for proprietary funds and on the modified accrual basis for all other funds. For financial statement presentation purposes, the modified accrual basis of accounting is followed for all governmental funds and similar fiduciary fund types. The management's discussion and analysis and the notes to the financial statements expand upon this and other accounting policies. The financial statements are prepared in accordance with the standards of the Governmental Accounting Standards Board. All of the District's funds are presented in this report and have been audited by the District's independent auditors, Wall Smith & Bateman. The Local Government Audit Law requires Colorado local governments to have an annual audit of their financial statements. The law states that the audit must be performed by an independent Certified Public Accountant and be in accordance with generally accepted auditing standards. The auditor's role is to conduct an independent audit and render to outside parties an opinion on the fair presentation of the financial statements. Budgetary control (that is, the level at which expenditures cannot exceed the appropriated amount) is maintained at the total fund level for each fund.

### **2017-2018 Leadership Structure (as of June 30, 2018)**

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

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

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

Board of Education

Nancy Stubbs	President
Sherie Byrd	Vice President
Stephanie Moran	Secretary
Mick Souder	Board Member
Joe Kusar	Board Member

Administration

Dan Snowberger	Superintendent
Jackie Oros	Chief Student Services Officer
Andy Burns	Chief Operations Officer
Samantha Gallagher	Director of Finance
Laura Galido	Director of Human Resources

**Conformance with State Accounting Regulations**

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

**District Expectation for Financial Transparency**

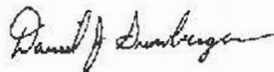
It is very important to Durango School District 9-R that we use our resources in the most efficient manner to meet the goals of the community. It is also a core value of the Finance Department that we are transparent and have appropriate controls in place to make sure we create accurate and timely financial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

**Acknowledgments**

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

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

Respectfully submitted,



Daniel J. Snowberger  
Superintendent of Schools



Samantha Gallagher,  
CPA Director of Finance

# INDEPENDENT AUDITORS' REPORT



Wall,  
Smith,  
Bateman Inc.

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

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durango School District 9-R (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### *Auditors' Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The discretely presented component unit was not audited in accordance with *Government Auditing Standards*.

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

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

## Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | [www.wsbcpa.com](http://www.wsbcpa.com)

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

#### *Change in Reporting Entity*

As discussed in Note 1 – Summary of Significant Accounting Policies, the financial statements reflect a change in reporting entity, as FY 2018 was the initial year of operation for The Juniper School. Our opinion is not modified with respect to this matter.

#### *Change in Accounting Principle*

As discussed in Note 1 – Summary of Significant Accounting Policies, in fiscal year 2018 the District adopted new accounting guidance, *GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, pension and other postemployment benefits information on pages ix through xvii and 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

*Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

November 12, 2018

**Durango School District 9-R**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2018**

This discussion and analysis of Durango School District 9-R's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for fiscal year 2018 are as follows:

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$(86,147,855) (net position). The District's unrestricted net position without the pension & OPEB liability and related deferred inflows/outflows would be \$66,214,877.
- The District's total net position decreased by \$39,711,798. The significant change is the result of pension reporting requirements from the Governmental Accounting Standards Board (GASB). PERA Pension and OPEB expense of \$36,268,121 has been recognized as the District's proportionate share of the net pension liability changes reported by the Colorado Public Employees' Retirement Association (PERA) – School Division Trust Fund and Other Post-Employment Benefits by the Colorado Public Employees' Retirement Association (PERA)- Health Care Trust Fund.
- Total General Fund revenues increased \$4,006,636 of which property tax revenues increased \$1,071,188 or 5.1% and state equalization aid increased \$3,364,788 or 13%. This increase in state equalization is being driven by Colorado Connections Academy and year one of The Juniper School.
- At the close of the current fiscal year, the District's governmental funds reported combined fund balance of \$19,526,770 an decrease of \$1,078,319 in comparison with the prior year. Of the combined fund balance, approximately 12.20% or \$2,381,504 is available for spending at the District's discretion (unassigned fund balance).
- At the end of the current fiscal year, the total of all components of fund balance for the general fund was \$8,356,745 or approximately 16.54% of total general fund expenditures.
- The District's total outstanding long-term debt decreased by \$6,358,927 to \$42,932,495 during the current fiscal year as the District continues to pay down its debt.
- The District increased Instructional Service expenditures by \$4,730,519 or 18.18% and Support Service expenditures increased by \$1,535,936 or 8.56%

**Durango School District 9-R  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018**

**Financial Statement Overview**

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

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

**Government-wide Financial Statements**

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

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

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

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

**Fund Financial Statements**

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

**Durango School District 9-R**  
**Management’s Discussion and Analysis**  
**For the fiscal year ended June 30, 2018**

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

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

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

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

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

**Notes to the Basic Financial Statements**

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

**Durango School District 9-R  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018**

**Required Supplementary Information**

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

**District-wide Overall Financial Analysis**

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. The District's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$86,147,855 at the close of the most recent fiscal year.

The District's investment in capital assets (e.g., land, buildings, machinery, equipment, and vehicles), less any related outstanding debt that was used to acquire those assets represents approximately \$47.5 million. The District uses these capital assets to provide educational services to its citizens. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional \$12.8 million of the District's net position represents resources that are subject to external restrictions, such as debt service, future building at Three Springs and the TABOR reserve.

**Durango School District 9-R**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2018**

**Durango School District 9-R**  
**Condensed Statement of Net Position**

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<u>Assets</u>						
Current and Other Assets	28,927,318	30,323,476	21,210	25,430	28,948,528	30,348,906
Net Capital Assets	88,597,419	91,533,043	-	-	88,597,419	91,533,043
Total Assets	117,524,737	121,856,519	21,210	25,430	117,545,947	121,881,949
<u>Deferred Outflows of Resources</u>						
Pensions (Note 10)	60,510,719	68,066,771	-	-	60,510,719	68,066,771
OPEB (Note 11)	317,120	-	-	-	317,120	-
Total Def. Outflows	60,827,839	68,066,771	-	-	60,827,839	68,066,771
<u>Liabilities</u>						
Current and Other Liabilities	15,796,731	13,793,233	16,465	23,010	15,813,196	13,816,243
Long-Term	239,185,650	219,072,515	-	-	239,185,650	219,072,515
Total Liabilities	254,982,381	232,865,748	16,465	23,010	254,998,846	232,888,758
<u>Deferred Inflows of Resources</u>						
Pensions (Note 10)	9,446,603	3,496,018	-	-	9,446,603	3,496,018
OPEB (Note 11)	76,191	-	-	-	76,191	-
Total Def. Inflows	9,522,794	3,496,018	-	-	9,522,794	3,496,018
<u>Net Position</u>						
Net Investment in Capital Assets	47,485,436	43,572,599	-	-	47,485,436	43,572,599
Restricted	12,862,764	12,276,497	-	-	12,862,764	12,276,497
Unrestricted (Deficit)	(146,500,800)	(102,287,572)	4,745	2,420	(146,496,055)	(102,285,152)
Total Net Position	<b>(86,152,600)</b>	<b>(46,438,476)</b>	<b>4,745</b>	<b>2,420</b>	<b>(86,147,855)</b>	<b>(46,436,056)</b>

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The dependence upon tax revenue is apparent. Over 98.75% of governmental revenue is supported through property taxes, vehicle registrations, and state equalization. The District's combined net position, not including the Pension Liability or OPEB Liability of \$203,989,857, was larger on June 30, 2018 than it was the year before, decreased 9.57% to \$117,842,002. The combined net position, including the Pension and OPEB Liability, decreased from the prior year to (\$86,147,855). Most of the underlying decrease in the District's financial position, excluding the accounting change for the pension and OPEB liability, came from its governmental activities, specifically the increase for Instructional expenses with the addition of the Juniper School, and the expansion of Special Education services with the removal of Durango School District 9-R from San Juan BOCES. The Pension and OPEB Liability amounts tend to obscure the District position in a given year. The business-type activity of the District is the After School Enrichment Program. The After School Enrichment Program had a net gain of \$2,325 after transfers in from the General Fund.

**Durango School District 9-R**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2018**

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

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
<u>Program Revenues</u>						
Charges for Services	1,112,035	1,202,262	229,811	249,024	1,341,846	1,451,286
Operating Grants and Contributions	7,347,380	4,243,764	-	-	7,347,380	4,243,764
Capital Grants and Contributions	-	17,000	-	-	-	17,000
<u>General Revenues</u>						
Taxes	29,580,471	28,819,200	-	-	29,580,471	28,819,200
State Equalization	27,946,228	25,383,015	-	-	27,946,228	25,383,015
Investment Earnings	279,060	133,426	-	-	279,060	133,426
Miscellaneous	451,547	609,833	-	-	451,547	609,833
<b>Total Revenues</b>	<b>66,716,721</b>	<b>60,408,500</b>	<b>229,811</b>	<b>249,024</b>	<b>66,946,532</b>	<b>60,657,524</b>
<b>Expenses</b>						
<u>Governmental Activities</u>						
Instructional	60,444,717	48,940,646	-	-	60,444,717	48,940,646
Pupil Activities	13,016,266	9,311,883	-	-	13,016,266	9,311,883
Administration	7,307,790	6,197,572	-	-	7,307,790	6,197,572
Business Services	1,516,067	1,718,662	-	-	1,516,067	1,718,662
Maintenance and Operations	8,637,238	6,395,265	-	-	8,637,238	6,395,265
Transportation	2,808,372	2,414,032	-	-	2,808,372	2,414,032
Central Services	4,237,587	3,612,387	-	-	4,237,587	3,612,387
Food Service Operations	2,540,328	2,121,810	-	-	2,540,328	2,121,810
Other Supporting Services	420,260	507,601	-	-	420,260	507,601
Interest Charges	1,187,172	1,386,913	-	-	1,187,172	1,386,913
<u>Business-Type Activities</u>						
After School Enrichment	-	-	307,486	291,059	307,486	291,059
<b>Total Expenses</b>	<b>102,115,797</b>	<b>82,606,771</b>	<b>307,486</b>	<b>291,059</b>	<b>102,423,283</b>	<b>82,897,830</b>
Net Revenue/(Expenses) before Transfers	(35,399,076)	(22,198,271)	(77,675)	(42,035)	(35,476,751)	(22,240,306)
Transfers	(80,000)	(35,000)	80,000	35,000	-	-
Change in Net Position	(35,479,076)	(22,233,271)	2,325	(7,035)	(35,476,751)	(22,240,306)
Net Position, Beginning of Year	(46,438,476)	(24,205,205)	2,420	9,455	(46,436,056)	(24,195,750)
GASB 75 Restatement	(4,235,048)	-	-	-	(4,235,048)	-
<b>Net Position, Beginning of Year Restated</b>	<b>(50,673,524)</b>	<b>(24,205,205)</b>	<b>2,420</b>	<b>9,455</b>	<b>(50,671,104)</b>	<b>(24,195,750)</b>
<b>Net Position, End of Year</b>	<b>(86,152,600)</b>	<b>(46,438,476)</b>	<b>4,745</b>	<b>2,420</b>	<b>(86,147,855)</b>	<b>(46,436,056)</b>

**Durango School District 9-R**  
**Management's Discussion and Analysis**  
**For the fiscal year ended June 30, 2018**

**Financial Analysis of Governmental Funds**

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

At June 30, 2018, the District's governmental funds reported combined fund balances of \$19,526,772 a decrease of \$1,078,317 in comparison with the prior year. Approximately \$2,381,504 or 12.20% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is either non-spendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form \$79,396 2) restricted for particular purposes \$12,862,764 3) committed for particular purposes \$3,763,348 or 4) assigned for particular purposes \$439,759.

The General Fund is the main operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$2,381,504 while total fund balance decreased to \$8,356,745. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total General Fund expenditures. Unassigned fund balance represents approximately 4.71% of total General Fund expenditures, while total fund balance represents approximately 16.54% of the same amount.

**General Fund Budgeting Highlights**

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

A review of total actual revenues compared to the appropriations in the final budget yield variances totaling \$112,048 or .2% of total revenues. This variance is driven by an increase in specific ownership taxes that were not anticipated.

**Durango School District 9-R  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018**

A review of total actual expenditures compared to the appropriations in the final budget yield variances totaling \$141,974 over budget or .29% of total expenditures. A driving factor was turnover within the Finance office right before the amended budget and differences in budgeting instructional expenses versus the coding of actual expenses. There was also a negotiated attendance incentive agreed upon after the amended budget that was in total \$252,658.

Due to issues concerning the turnover and coding of expenses it is not useful to review the variances at the line item level. Changes have been put into place to line out the budget in a more comparable way to actual expenditures.

**Capital Assets and Debt Administration**

**Capital Assets**

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2018 amounts to \$88,597,419 (net of accumulated depreciation). This investment in capital assets includes land, improvements, buildings, equipment and vehicles, and projects in progress. The total change in the District's investment in capital assets for the current fiscal year was a decrease of \$2,935,624.

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

**Long-term Debt**

At June 30, 2018, the District had \$35,005,000 in general obligation bonds and \$3,557,841 in capital leases outstanding. In August 2012, the District entered into an energy conservation project funded through a long-term capital lease. The DHS stadium project was funded by a capital lease in June 2016. More detailed information about the District's long-term liabilities is presented in Note 5 to the financial statements.

**Economic Factors and Next Year's Budget**

An increase in per pupil funding by at least inflation is provided by Amendment 23 to the State Constitution, passed by the voters in November 2000. During the 2010 legislative session, the state legislator introduced a new factor into the school financial funding formula. This new factor is a negative factor, which allows the state to reduce its funding to K-12 education in the state. This factor reduced the funding the District would have received from the state under the old formula by \$5,145,510 the 2017-18 school year. This factor is currently projected to decrease next year; however it is unknown at this time by how much pending final budget appropriations by the legislature and final student count.

**Durango School District 9-R  
Management's Discussion and Analysis  
For the fiscal year ended June 30, 2018**

Enrollment for Durango School District 9-R will continue to evolve in 2017-18. The online charter school called Connections Academy whose partnership began with the District in 2016-17 will increase enrollment from 543 to 733 students. These are students who reside all over the state, and very few come from the district's boundaries. Durango School District 9-R collects the PPR for this program and passes on 95% with the remaining 5% used to support administration of the this partnership. In 2017-2018, The Juniper School was chartered through Durango School District 9-R. They have 130 students enrolled, and the district passes all but 3% of the students PPR directly to their organization.

The 2018-19 General Fund budget includes \$52,747,511 in revenue, less transfers, and \$52,747,511 in expenditures, which includes \$285,923 in contingences. This creates a budgeted increase to Fund Balance of \$0.

**Component Units**

The District has one component unit, a district authorized charter school, named The Juniper School. 2017-2018 was the first year with enrolled students. Separately issued financial statements can be obtained by visiting their website <http://juniper.durangoschools.org/>

**Requests For Information**

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

Samantha Gallagher, CPA  
Director of Finance  
Durango School District 9-R  
201 East 12<sup>th</sup> Street  
Durango, Colorado 81301

***DURANGO SCHOOL DISTRICT 9-R***

***BASIC FINANCIAL STATEMENTS***

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF NET POSITION**  
**June 30, 2018**

	<b>Primary Government</b>		<b>Total Primary Government</b>	<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 26,823,332	\$ 21,210	\$ 26,844,542	\$ 241,150
Due from Other Governments	-	-	-	35,698
Accounts Receivable	601,454	-	601,454	-
Property Taxes Receivable	1,421,905	-	1,421,905	-
Prepaid Expenses	1,231	-	1,231	2,544
Materials and Supplies Inventory	79,395	-	79,395	-
Other Current Assets	-	-	-	431
Capital Assets			-	
Nondepreciable	7,082,079	-	7,082,079	-
Depreciable, Net	81,515,340	-	81,515,340	6,858
Total Assets	<u>117,524,736</u>	<u>21,210</u>	<u>117,545,946</u>	<u>286,681</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions	60,510,719	-	60,510,719	810,769
OPEB	317,120	-	317,120	4,321
Total Deferred Outflows of Resources	<u>60,827,839</u>	<u>-</u>	<u>60,827,839</u>	<u>815,090</u>
<b>LIABILITIES</b>				
Accounts Payable	974,345	140	974,485	39,333
Line of Credit	-	-	-	21,412
Accrued Salaries and Benefits	5,511,834	16,325	5,528,159	107,293
Unearned Grant Revenue	490,457	-	490,457	-
Incurred but Unreported Medical Claims	818,908	-	818,908	-
Accrued Interest Payable	264,485	-	264,485	-
Long-Term Liabilities			-	
Due Within One Year	7,736,702	-	7,736,702	-
Due In More Than One Year	35,195,793	-	35,195,793	-
Net Pension Liability	199,435,591	-	199,435,591	2,782,792
Net OPEB Liability	4,554,265	-	4,554,265	63,547
Total Liabilities	<u>254,982,380</u>	<u>16,465</u>	<u>254,998,845</u>	<u>3,014,377</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions	9,446,603	-	9,446,603	113,792
OPEB	76,191	-	76,191	1,063
Total Deferred Inflows of Resources	<u>9,522,794</u>	<u>-</u>	<u>9,522,794</u>	<u>114,855</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	47,485,436	-	47,485,436	6,858
Restricted for				
TABOR	1,681,395	-	1,681,395	20,962
Debt Service	10,728,479	-	10,728,479	-
Three Springs Schools	452,891	-	452,891	-
Unrestricted	<u>(146,500,800)</u>	<u>4,745</u>	<u>(146,496,055)</u>	<u>(2,055,281)</u>
Total Net Position	<u>\$ (86,152,599)</u>	<u>\$ 4,745</u>	<u>\$ (86,147,854)</u>	<u>\$ (2,027,461)</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended June 30, 2018**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit
<b>Primary Government:</b>								
<b>Governmental Activities</b>								
Instructional Services	\$ 60,444,717	\$ 296,672	\$ 3,877,987	\$ -	\$ (56,270,058)	\$ -	\$ (56,270,058)	\$ -
Pupil Support Services	13,016,266	129,899	2,008,321	11,350	(10,866,696)	-	(10,866,696)	-
Administration	7,307,791	76,908	-	-	(7,230,883)	-	(7,230,883)	-
Business Services	1,516,067	-	-	-	(1,516,067)	-	(1,516,067)	-
Operations and Maintenance	8,637,237	-	162,164	-	(8,475,073)	-	(8,475,073)	-
Transportation	2,808,372	-	324,332	-	(2,484,040)	-	(2,484,040)	-
Central Supporting Services	4,237,587	-	-	-	(4,237,587)	-	(4,237,587)	-
Food Services	2,540,326	597,206	946,546	-	(996,574)	-	(996,574)	-
Other Supporting Services	420,260	-	28,030	-	(392,230)	-	(392,230)	-
Interest and Fiscal Charges	1,187,172	-	-	-	(1,187,172)	-	(1,187,172)	-
Total Governmental Activities	<u>102,115,795</u>	<u>1,100,685</u>	<u>7,347,380</u>	<u>11,350</u>	<u>(93,656,380)</u>	<u>-</u>	<u>(93,656,380)</u>	<u>-</u>
<b>Business-Type Activities</b>								
After School Enrichment Program	307,486	229,811	-	-	-	(77,675)	(77,675)	-
Total Business-Type Activities	<u>307,486</u>	<u>229,811</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(77,675)</u>	<u>(77,675)</u>	<u>-</u>
Total Primary Government	<u>\$ 102,423,281</u>	<u>\$ 1,330,496</u>	<u>\$ 7,347,380</u>	<u>\$ 11,350</u>	<u>(93,656,380)</u>	<u>(77,675)</u>	<u>(93,734,055)</u>	<u>-</u>
<b>Component Unit</b>								
The Juniper School	\$ 3,380,952	\$ 33,467	\$ 354,050	\$ -	-	-	-	(2,993,435)
Total Component Unit	<u>\$ 3,380,952</u>	<u>\$ 33,467</u>	<u>\$ 354,050</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,993,435)</u>
<b>General Revenues</b>								
Property Taxes					26,628,207	-	26,628,207	-
Per Pupil Revenue					-	-	-	811,230
District Mill Levy					-	-	-	155,140
Specific Ownership Taxes					2,952,264	-	2,952,264	-
State Equalization					27,946,228	-	27,946,228	-
Investment Earnings					279,060	-	279,060	-
Miscellaneous					451,548	-	451,548	587
Total General Revenues					<u>58,257,307</u>	<u>-</u>	<u>58,257,307</u>	<u>966,957</u>
<b>Transfers</b>					<u>(80,000)</u>	<u>80,000</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>58,177,307</u>	<u>80,000</u>	<u>58,257,307</u>	<u>966,957</u>
CHANGE IN NET POSITION					<u>(35,479,073)</u>	<u>2,325</u>	<u>(35,476,748)</u>	<u>(2,026,478)</u>
NET POSITION, Beginning of Year					<u>(46,438,476)</u>	<u>2,420</u>	<u>(46,436,056)</u>	<u>(983)</u>
GASB 75 Restatement					<u>(4,235,050)</u>	<u>-</u>	<u>(4,235,050)</u>	<u>-</u>
NET POSITION, Beginning of Year Restated					<u>(50,673,526)</u>	<u>2,420</u>	<u>(50,671,106)</u>	<u>(983)</u>
NET POSITION, End of Year					<u>\$ (86,152,599)</u>	<u>\$ 4,745</u>	<u>\$ (86,147,854)</u>	<u>\$ (2,027,461)</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2018**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Governmental Designated Grants Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Equity in Pooled Cash and Investments	\$ 12,754,855	\$ 10,485,762	\$ 577,541	\$ 1,152,332	\$ 24,970,490
Receivables					
Accounts	121,616	-	452,697	27,141	601,454
Property Taxes	1,037,842	384,063	-	-	1,421,905
Prepaid Expenses	-	-	-	1,231	1,231
Materials and Supplies Inventory	59,273	-	-	20,122	79,395
	<u>59,273</u>	<u>-</u>	<u>-</u>	<u>20,122</u>	<u>79,395</u>
Total Assets	<u>\$ 13,973,586</u>	<u>\$ 10,869,825</u>	<u>\$ 1,030,238</u>	<u>\$ 1,200,826</u>	<u>\$ 27,074,475</u>
<b>LIABILITIES, DEFERRED INFLOWS OF OF RESOURCES, AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 246,873	\$ -	\$ 120,199	\$ 607,147	\$ 974,219
Accrued Salaries and Benefits	4,940,121	-	419,582	152,131	5,511,834
Unearned Grant Revenues	-	-	490,457	-	490,457
Total Liabilities	<u>5,186,994</u>	<u>-</u>	<u>1,030,238</u>	<u>759,278</u>	<u>6,976,510</u>
<b>Deferred Inflows of Resources</b>					
Unavailable Revenue - Property Tax	429,848	141,345	-	-	571,193
<b>Fund Balances</b>					
Nonspendable					
Inventory	59,273	-	-	20,122	79,395
Restricted for					
TABOR 3% Reserve	1,681,395	-	-	-	1,681,395
Debt Service	-	10,728,480	-	-	10,728,480
Three Springs Schools	191,938	-	-	260,953	452,891
Committed for					
Board Designated Reserve	3,602,876	-	-	-	3,602,876
Food Service	-	-	-	158,338	158,338
Interscholastic Activities	-	-	-	2,135	2,135
Assigned for					
Instructional	297,633	-	-	-	297,633
Support Services	10,131	-	-	-	10,131
Operations and Maintenance	64,251	-	-	-	64,251
Transportation	5,475	-	-	-	5,475
Technology	62,269	-	-	-	62,269
Unassigned	2,381,503	-	-	-	2,381,503
Total Fund Balances	<u>8,356,744</u>	<u>10,728,480</u>	<u>-</u>	<u>441,548</u>	<u>19,526,772</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 13,973,586</u>	<u>\$ 10,869,825</u>	<u>\$ 1,030,238</u>	<u>\$ 1,200,826</u>	<u>\$ 27,074,475</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2018**

<b>Total Governmental Fund Balances</b>		\$ 19,526,772
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		88,597,419
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.		60,827,840
Unavailable revenues are not available to pay for current period expenditures and, therefore, are deferred in the funds.		571,193
Long-term liabilities, including bonds payable and compensated absences, are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	\$ (35,005,000)	
Capital Lease Agreements	(3,557,841)	
Accrued Interest Payable	(264,485)	
Compensated Absences	<u>(1,820,512)</u>	
		(40,647,838)
Bond discounts are expensed when incurred in the governmental funds and deferred and amortized in the statement of activities. Similarly, bond premiums are recognized as revenue when issued and are deferred and amortized in the statement of activities. The net unamortized portion of these long-term debt related items is included in the governmental activities.		(2,549,142)
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.		(203,989,857)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.		(9,522,794)
Internal Service Funds are used by management to charge the costs of self-insurance to the individual funds. The assets and liabilities of these funds are included in the governmental activities in the statement of net position.		<u>1,033,808</u>
<b>Net Position of Governmental Activities</b>		<u><u>\$ (86,152,599)</u></u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	General Fund	Debt Service Fund	Governmental Designated Grants Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 22,060,519	\$ 7,659,134	\$ -	\$ -	\$ 29,719,653
Intergovernmental					
Federal Sources	25,105	-	2,102,739	917,371	3,045,215
State Sources	29,569,791	-	1,701,652	29,175	31,300,618
Intermediate Sources	-	-	-	352,848	352,848
Local Sources	1,027,287	-	314,424	740,991	2,082,702
Interest on Investments	176,857	102,203	-	-	279,060
Total Revenues	<u>52,859,559</u>	<u>7,761,337</u>	<u>4,118,815</u>	<u>2,040,385</u>	<u>66,780,096</u>
<b>EXPENDITURES</b>					
Current Operating					
Instructional Services	30,757,614	-	2,067,996	887,720	33,713,330
Supporting Services					
Pupil Support Services	5,583,297	-	1,570,062	341,491	7,494,850
Administration	3,956,921	-	21,566	-	3,978,487
Business Services	649,383	-	329,017	-	978,400
Operations and Maintenance	5,139,391	-	74,558	314,883	5,528,832
Transportation	1,480,653	-	-	8,177	1,488,830
Central Supporting Services	2,617,958	-	2,877	189,867	2,810,702
Food Services	-	-	-	1,763,323	1,763,323
Other Supporting Services	36,643	-	8,862	-	45,505
Facilities Acquisition and Construction	-	-	43,877	1,909,352	1,953,229
Debt Service	291,613	7,519,238	-	212,074	8,022,925
Total Expenditures	<u>50,513,473</u>	<u>7,519,238</u>	<u>4,118,815</u>	<u>5,626,887</u>	<u>67,778,413</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,346,086</u>	<u>242,099</u>	<u>-</u>	<u>(3,586,502)</u>	<u>(998,317)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers/Allocation In	-	-	-	2,296,011	2,296,011
Transfers/Allocation Out	<u>(2,376,011)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,376,011)</u>
Total Other Financing Sources (Uses)	<u>(2,376,011)</u>	<u>-</u>	<u>-</u>	<u>2,296,011</u>	<u>(80,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	(29,925)	242,099	-	(1,290,491)	(1,078,317)
<b>FUND BALANCE, Beginning of Year</b>	<u>8,386,669</u>	<u>10,486,381</u>	<u>-</u>	<u>1,732,039</u>	<u>20,605,089</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 8,356,744</u>	<u>\$ 10,728,480</u>	<u>\$ -</u>	<u>\$ 441,548</u>	<u>\$ 19,526,772</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Fiscal Year Ended**  
**June 30, 2018**

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,078,317)

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

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

Capital Outlay	\$ 1,909,575	
Depreciation expense	(4,776,713)	
Deletions Net of Accumulated Depreciation	<u>(68,487)</u>	(2,935,625)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (63,376)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

2006 G.O. Refunding Bonds	1,750,000	
2010 G.O. Refunding Bonds	3,175,000	
2015 G.O. Refunding Bonds	940,000	
Accrued Interest Payable	40,263	
Capital Lease Payments	<u>412,222</u>	6,317,485

Governmental funds report the effect of premiums, discounts, and other similar items when debt is first issued; whereas these amounts are in the statement of activities. This amount is the deferred and amortized in the treatment of long-term related items.

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

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

In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This amount represents the net effect of compensated absences payable on the statement of net position. (489,534)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item consists of the change in pension and OPEB expenditures.

(36,268,333)

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

(1,532,614)

**Change in Net Position of Governmental Activities** \$ (35,479,075)

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF NET POSITION - PROPRIETARY FUNDS**  
**June 30, 2018**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>After School Enrichment Program Fund</b>	<b>Internal Service Funds</b>
<b>ASSETS</b>		
Current Assets		
Equity in Pooled Cash and Investments	\$ 21,210	\$ 1,852,842
Total Current Assets	21,210	1,852,842
<b>LIABILITIES</b>		
Current Liabilities		
Accounts Payable	140	126
Accrued Salaries and Benefits	16,325	-
Incurred but Unreported Medical Claims	-	818,908
Total Current Liabilities	16,465	819,034
<b>NET POSITION</b>		
Unrestricted	4,745	1,033,808
Total Net Position	\$ 4,745	\$ 1,033,808

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

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>After School Enrichment Program Fund</b>	<b>Internal Service Funds</b>
<b>OPERATING REVENUES</b>		
Charges for Services	\$ 229,811	\$ -
Premium Revenues	-	5,344,665
Total Operating Revenues	<u>229,811</u>	<u>5,344,665</u>
<b>OPERATING EXPENSES</b>		
Salaries and Benefits	293,378	-
Purchased Services	10,743	6,906,499
Supplies and Materials	2,829	-
Other	536	-
Total Operating Expenses	<u>307,486</u>	<u>6,906,499</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(77,675)</u>	<u>(1,561,834)</u>
<b>NON-OPERATING REVENUES</b>		
Interest on Investments	-	29,220
Total Non-Operating Revenues	<u>-</u>	<u>29,220</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(77,675)</u>	<u>(1,532,614)</u>
<b>TRANSFERS IN</b>	<u>80,000</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>2,325</u>	<u>(1,532,614)</u>
<b>NET POSITION, Beginning of Year</b>	<u>2,420</u>	<u>2,566,422</u>
<b>NET POSITION, End of Year</b>	<u>\$ 4,745</u>	<u>\$ 1,033,808</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>After School Enrichment Program Fund</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Others	\$ 229,811	\$ 5,374,665
Cash Payments to Employees for Services	(299,901)	-
Cash Payments for Goods and Services	(14,130)	(6,450,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>(84,220)</b>	<b>(1,075,335)</b>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Transfers In	80,000	-
<b>Net Cash Provided (Used) by Non-capital Financing Activities</b>	<b>80,000</b>	<b>-</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	-	29,220
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>29,220</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(4,220)</b>	<b>(1,046,115)</b>
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<b>25,430</b>	<b>2,898,957</b>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<b>\$ 21,210</b>	<b>\$ 1,852,842</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
<b>OPERATING INCOME (LOSS)</b>	<b>\$ (77,675)</b>	<b>\$ (1,561,834)</b>
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
(Increase) Decrease in Assets		
Accounts Receivable	-	30,000
Increase (Decrease) in Liabilities		
Accounts Payable	(23)	126
Incurred but Unreported Medical Claims	-	456,373
Accrued Salaries and Benefits	(6,523)	-
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ (84,221)</b>	<b>\$ (1,075,335)</b>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**June 30, 2018**

	<u>Pupil Activity Agency Fund</u>
<b>ASSETS</b>	
Equity in Pooled Cash and Cash Equivalents	\$ 358,473
<b>Total Assets</b>	<u>\$ 358,473</u>
<b>LIABILITIES</b>	
Accounts Payable	\$ 18,412
Due to Student Groups	<u>340,061</u>
<b>Total Liabilities</b>	<u>\$ 358,473</u>

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***Reporting Entity***

The District was organized under the provisions of Colorado statutes for the purpose of operating elementary and secondary schools, primarily in La Plata County. Oversight responsibility is determined on the basis of financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. Pursuant to the definition of component units in GASB Statements 14, 39, and 61, the District's Board of Education has included one component unit, The Juniper School (a District Authorized Charter School). The financial statements reflect a change in reporting entity, as FY 2018 was the initial year of operation for The Juniper School.

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

***Government-wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The interfund services provided and used are not eliminated in the process of the consolidation. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

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

***Measurement Focus, Basis of Accounting, and Basis of Presentation***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Agency funds use economic resources measurement focus and accrual basis of accounting.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

The government reports the following major governmental funds:

- *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.
- *Debt Service Fund* is used for servicing of general long-term debt not being financed by proprietary funds.
- *Governmental Designated Grants Fund* is used to record financial transactions for grants received for designated programs funded by federal, state, or local governments.

Additionally the District reports the following fund types:

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

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

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

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

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

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

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

Deposits and Investments

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

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

Receivables and Payables

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

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

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

Prepaid Items

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

Inventories

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

Capital Assets

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

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

Compensated Absences

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

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

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

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

Unearned Grant Revenue

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

Deferred Outflows/Inflows of Resources

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

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

Certain amounts related to pensions and OPEB must be deferred.

Accrued Salaries and Benefits

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 31, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2018, are reflected in the financial statements as an accrued liability.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Long-Term Obligations

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

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

Pensions

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

OPEB

The District participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

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

- *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

- *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

**Fund Balance**

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

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

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

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

**Estimates**

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

***Budgetary Information***

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves, as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. All budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP), except for the Health Insurance Fund.

The Board of Education may authorize supplemental appropriations during the year. The Board of Education approved supplemental appropriations during the fiscal year ended June 30, 2018, which are reflected within the financial statements.

Stewardship

Total expenditures exceeded budgeted appropriations in the following funds:

General Fund	\$141,974
Food Service Fund	\$ 1,821
Capital Projects Fund	\$229,859

This may be a violation of Colorado State Statute 22-44-115(1).

***New Accounting Pronouncements***

During fiscal year 2018, the District adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (GASB No. 75)*, which revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions. These benefits are referred to as other postemployment benefits (OPEB).

GASB No. 75 requires cost-sharing employers participating in the PERA program, such as the District to record their proportionate share, as defined in GASB No. 75, of PERA's unfunded OPEB, specifically the Health Care Trust Fund (HCTF). The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. The District has no legal obligation to fund this HCTF shortfall nor does it have any ability to affect funding, benefit or annual required contribution decisions made by PERA or the General Assembly. The requirement of GASB No. 75 to record a portion of PERA's unfunded liability negatively impacted the District's beginning net position by \$4,235,048. The

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

OPEB liability recorded as of June 30, 2018 was \$4,554,266. Information regarding PERA’s current funding status can be found in its Comprehensive Annual Financial Report.

**NOTE 2 CASH AND CASH EQUIVALENTS**

At June 30, 2018, the District’s cash, deposits, and investments had a bank balance and carrying balance as follows:

	Bank Balance	Carrying Balance
Cash on Hand and in Banks	\$ 1,394,482	\$ 973,173
COLOTRUST	26,229,842	26,229,842
Total Deposits	\$ 27,624,324	\$ 27,203,015
Governmental Activities		\$ 26,823,332
Business-type Activities		21,210
Pupil Activity Agency Fund		358,473
		\$ 27,203,015

***Deposits***

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

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. At June 30, 2018, \$1,144,482 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institutions through PDPA.

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

***Investments***

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

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

COLOTRUST is a money market investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing COLOTRUST.

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

**NOTE 3 INTERFUND TRANSACTIONS AND INTERNAL BALANCES**

Significant interfund transfers included are for activities supported by General Fund revenues. Interfund transfers recorded at the fund level and eliminated at the government-wide level at June 30, 2018, are as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ -	\$ 2,376,011
Food Service Fund	125,000	-
Interscholastic Activities Fund	1,100,000	-
Capital Projects Fund	1,071,011	-
After School Enrichment Program Fund	80,000	-
 Total	 <u>\$ 2,376,011</u>	 <u>\$ 2,376,011</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 4 CAPITAL ASSETS**

The following is a summary of changes in the governmental and business-type capital assets for the year ended June 30, 2018:

<i>Governmental Activities</i>	Balance 6/30/2017	Additions	Deletions	Balance 6/30/2018
<b>Non-depreciable</b>				
Land and Improvements	\$ 6,415,255	\$ -	\$ -	\$ 6,415,255
Construction in Progress	353,873	666,824	(353,873)	666,824
Total Non-depreciable	<u>6,769,128</u>	<u>666,824</u>	<u>(353,873)</u>	<u>7,082,079</u>
<b>Depreciable</b>				
Land Improvements	3,661,497	580,252	(99,500)	4,142,249
Buildings and Improvements	141,825,973	651,079	-	142,477,052
Equipment and Vehicles	8,824,974	365,293	-	9,190,267
Computer Software	2,048,279	-	-	2,048,279
Total Depreciable	<u>156,360,723</u>	<u>1,596,624</u>	<u>(99,500)</u>	<u>157,857,847</u>
<b>Accumulated Depreciation</b>				
Land Improvements	(362,674)	(221,626)	31,013	(553,287)
Buildings and Improvements	(63,007,961)	(3,370,570)	-	(66,378,531)
Equipment and Vehicles	(6,634,969)	(727,441)	-	(7,362,410)
Computer Software	(1,591,204)	(457,075)	-	(2,048,279)
Total Accumulated Depreciation	<u>(71,596,808)</u>	<u>(4,776,712)</u>	<u>31,013</u>	<u>(76,342,507)</u>
Net Depreciable Capital Assets	<u>84,763,915</u>	<u>(3,180,088)</u>	<u>(68,487)</u>	<u>81,515,340</u>
<b>Total Capital Assets</b>	<u>\$ 91,533,043</u>	<u>\$ (2,513,264)</u>	<u>\$ (422,360)</u>	<u>\$ 88,597,419</u>

Depreciation expense was charged to the following functions:

Instructional Services	\$ 2,829,216
Pupil Support Services	581,660
Administration	325,601
Business Services	67,749
Operations and Maintenance	398,431
Transportation	138,801
Central Supporting Services	189,446
Food Services	114,705
Other Supporting Services	78,132
Interest and Fiscal Charges	52,971
Total	<u>\$ 4,776,712</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 5 LONG-TERM OBLIGATIONS**

***Changes in Long-Term Debt***

During the period ended June 30, 2018, the following changes occurred in liabilities reported in long-term debt:

	Balance 6/30/2017	Increases	Decreases	Balance 6/30/2018	Due within one year
<i>Governmental Activities</i>					
General Obligation Bonds					
Series 2006 Refunding	\$ 1,750,000	\$ -	\$ 1,750,000	\$ -	\$ -
Series 2010 Refunding	17,260,000	-	3,175,000	14,085,000	3,805,000
Series 2011 Refunding	17,200,000	-	-	17,200,000	-
Series 2015 Refunding	4,660,000	-	940,000	3,720,000	2,845,000
	<u>40,870,000</u>	<u>-</u>	<u>5,865,000</u>	<u>35,005,000</u>	<u>6,650,000</u>
Bond Premium	3,120,381	-	571,239	2,549,142	541,698
Capital Lease Agreement	3,970,063	-	412,222	3,557,841	425,977
Compensated Absences	1,330,978	489,534	-	1,820,512	119,027
Total	<u>\$ 49,291,422</u>	<u>\$ 489,534</u>	<u>\$ 6,848,461</u>	<u>\$ 42,932,495</u>	<u>\$ 7,736,702</u>

***General Obligation Refunding Bond, Series 2006***

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

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

Bonds maturing on or before November 1, 2016, are not subject to redemption prior to maturity. Bonds maturing on November 1, 2017, are subject to redemption prior to maturity, at the option of the District, as a whole or in integral multiples of \$5,000, in any order of maturity and in whole or partial maturities, on November 1, 2016, and on any date thereafter, upon payment of par and accrued interest, without redemption premium. There was no outstanding balance due at June 30, 2018.

***General Obligation Refunding Bond, Series 2010***

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

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

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***General Obligation Refunding Bond, Series 2011***

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

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

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

***General Obligation Refunding Bond, Series 2015***

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

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

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

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

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

Fiscal Year Ending	Principal	Interest	Total
June 30,			
2019	\$ 6,650,000	\$ 1,410,413	\$ 8,060,413
2020	4,790,000	1,185,831	5,975,831
2021	4,070,000	997,363	5,067,363
2022	4,220,000	822,925	5,042,925
2023	5,785,000	592,050	6,377,050
2024-2025	9,490,000	400,462	9,890,462
Total	<u>\$ 35,005,000</u>	<u>\$ 5,409,044</u>	<u>\$ 40,414,044</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***Capital Lease Agreements***

The District obtained an annually renewable equipment lease-purchase agreement, dated August 1, 2012, for \$3,052,303 for equipment required by the McKinstry Energy Performance Contract. The equipment is included in the capital assets at a cost of \$3,052,303, with accumulated depreciation of \$1,678,765. The agreement will be repaid from the General Fund in quarterly payments of principal and interest at 2.6%.

The District obtained an annually renewable lease purchase agreement for the acquisition, construction, equipping, and installation of track and field improvements at Durango High School and Escalante Middle School, dated June 15, 2016, for \$1,900,000. The capital improvements are included in capital assets at a cost of \$3,136,488, with accumulated depreciation of \$330,511. The agreement will be repaid from the Capital Projects Fund in annual payments of principal and interest at 2.05%.

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2019	\$ 425,977	\$ 81,595	\$ 507,572
2020	436,123	71,449	507,572
2021	446,515	61,057	507,572
2022	457,157	50,415	507,572
2023	468,057	39,515	507,572
2024-2026	1,324,012	50,958	1,374,970
Total	<u>\$ 3,557,841</u>	<u>\$ 354,989</u>	<u>\$ 3,912,830</u>

***Compensated Absences***

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

**NOTE 6 SHORT-TERM DEBT**

It was necessary for the District to participate in the State of Colorado interest-free loan program by borrowing \$1,697,478 throughout the fiscal year to meet cash flow needs since the majority of property taxes are received starting in March 2018. The loan was repaid during March 2018.

June 30, 2017 Balance	Borrowed	Repayment	June 30, 2018 Balance
<u>\$ -</u>	<u>\$ 1,697,478</u>	<u>\$ 1,697,478</u>	<u>\$ -</u>

**NOTE 7 TAX, SPENDING, AND DEBT LIMITATION**

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

The District believes it is in compliance with the requirements of this Amendment. TABOR also requires local governments to establish a reserve of 3% of fiscal year spending to be used only for declared emergencies. Net position of \$1,681,395 was restricted at June 30, 2018, to meet this requirement.

**NOTE 8 RISK MANAGEMENT**

***Dental Insurance Fund***

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

***Health-Insurance Fund***

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

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

The claim liability of \$818,908 reported in the Health Insurance Fund was actuarially determined to cover outstanding claims and estimated incurred, but not reported, insurance claims payable at June 30, 2018, expected to be paid within the next fiscal year. Changes in the Fund's claim liability amount in fiscal year 2018 are as follows:

	Fiscal Year 2018
Liability at July 1	\$ 362,535
Current year claims and changes in estimates	5,686,969
Stop-loss insurance recoveries	-
Claims paid	(5,230,596)
Balance at June 30	\$ 818,908

**NOTE 9 DEFINED BENEFIT 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 as of December 31, 2017.* 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.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 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 (AIR) for the SCHDTF.

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

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

*Contributions provisions as of June 30, 2018-* 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:

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

	For the Year Ended December 31,	
	2018	2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	-1.02%	-1.02%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	19.13%	18.63%

<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 the District were \$5,597,075 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$199,435,591 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the District's proportion was 0.62 percent, which was a increase of 0.023 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized pension expense of \$36,190,048. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 3,666,780	\$ -
Changes of assumptions or other inputs	50,923,316	323,147
Net difference between projected and actual earnings on pension plan investments	-	7,832,025
Changes in proportionate share and differences between contributions recognized and proportionate share of contributions	3,089,796	1,291,431
Contributions subsequent to the measurement date	2,830,827	-
Total	\$ 60,510,719	\$ 9,446,603

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

\$2,830,827 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2019	\$ 31,394,464
2020	18,038,911
2021	1,220,703
2022	(2,420,789)
2023	-
Thereafter	-

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 251,921,070	\$ 199,435,591	\$ 156,665,918

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

*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).

**Changes between the measurement date of the net pension liability and June 30, 2018.**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the District reported a liability of \$199,435,591 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the District proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$90,103,271

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$93,098,000 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 10 OTHER POSTEMPLOYMENT BENEFITS**

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the District are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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.* The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

*PERA Benefit Structure.* The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

*Contributions.* Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$307,176 for the year ended June 30, 2018.

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

At June 30, 2018, the District reported a liability of \$4,554,266 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District's proportion of the net OPEB liability was based on District contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the District proportion was 0.35 percent, which was an increase of 0.013 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the District recognized OPEB expense of \$78,073. At June 30, 2018, District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 21,538	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	-	76,192
Changes in proportionate share and differences between contributions recognized and proportionate share of contributions	139,859	-
Contributions subsequent to the measurement date	155,723	-
Total	<u>\$ 317,120</u>	<u>\$ 76,192</u>

\$155,723 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	\$ 12,661
2020	12,661
2021	12,661
2022	12,668
2023	31,711
Thereafter	2,844

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

*Actuarial assumptions.* The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

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

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

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

*Sensitivity of the District's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates.* The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Net OPEB Liability	<u>\$ 4,428,960</u>	<u>\$ 4,554,265</u>	<u>\$ 4,705,188</u>

*Discount rate.* The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

- 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF’s fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

*Sensitivity of the District’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 5,120,426	\$ 4,554,265	\$ 4,071,032

*OPEB plan fiduciary net position.* Detailed information about the HCTF’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).

**NOTE 11 OTHER RETIREMENT PLANS**

***Voluntary Investment Program***

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

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

***457 Deferred Compensation Plan***

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

***Other Retirement Plans***

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

The District made contributions to other retirement plans totaling \$0 during Fiscal Year 2018.

**NOTE 12 RISK OF LOSS**

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

**NOTE 13 PUPIL ACTIVITY AGENCY FUND BUDGET AND ACTUAL**

	Budget		Actual	Variance
	Original	Amended		
Agency Fund Receipts	\$ 650,000	\$ 650,000	\$ 502,234	\$ (147,766)
Agency Fund Disbursements	(675,002)	(700,000)	(537,783)	162,217
Increase (Decrease) in Student Activity Deposits	<u>\$ (25,002)</u>	<u>\$ (50,000)</u>	(35,549)	<u>\$ 14,451</u>
Beginning Balance of Student Activity Deposits			375,610	
Ending Balance of Student Activity Deposits			<u>\$ 340,061</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**June 30, 2018**

**NOTE 14 CONTINGENCIES AND COMMITMENTS**

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

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

## ***DURANGO SCHOOL DISTRICT 9-R***

### ***REQUIRED SUPPLEMENTARY INFORMATION***

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

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
<b>REVENUES</b>				
Taxes	\$ 18,571,972	\$ 19,318,240	\$ 19,032,447	\$ (285,793)
Specific Ownership Taxes	2,259,000	2,431,381	2,952,264	520,883
Intergovernmental Revenues				
Federal Sources	45,000	25,105	25,105	-
State Sources				
Equalization	28,249,525	27,842,364	27,946,228	103,864
Transportation	333,836	350,000	324,332	(25,668)
Other State	1,248,094	1,220,505	1,299,231	78,726
Local Sources	497,080	686,071	1,103,095	417,024
Interest on Investments	35,000	125,000	176,857	51,857
Miscellaneous Revenues				
Other	883,659	748,845	-	(748,845)
Total Revenues	<u>52,123,166</u>	<u>52,747,511</u>	<u>52,859,559</u>	<u>112,048</u>
<b>EXPENDITURES</b>				
Instructional Services	39,234,071	38,936,963	30,757,614	8,179,349
Supporting Services				
Pupil Support Services	2,328,619	1,712,435	5,583,297	(3,870,862)
Administration	528,700	544,230	3,956,921	(3,412,691)
Business Services	711,249	633,810	649,383	(15,573)
Operations and Maintenance	3,412,853	3,355,151	5,139,391	(1,784,240)
Transportation	1,367,582	1,377,596	1,480,653	(103,057)
Central Supporting Services	1,809,927	1,856,181	2,617,958	(761,777)
Other Supporting Services	-	-	36,643	(36,643)
Debt Service	305,000	205,000	291,613	(86,613)
Total Expenditures	<u>49,698,000</u>	<u>48,621,366</u>	<u>50,513,473</u>	<u>(1,892,107)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>2,425,166</u>	<u>4,126,145</u>	<u>2,346,086</u>	<u>(1,780,059)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(2,355,000)</u>	<u>(4,126,145)</u>	<u>(2,376,011)</u>	<u>1,750,134</u>
Total Other Financing Sources (Uses)	<u>(2,355,000)</u>	<u>(4,126,145)</u>	<u>(2,376,011)</u>	<u>1,750,134</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 70,166</u>	<u>\$ -</u>	<u>(29,925)</u>	<u>\$ (29,925)</u>
<b>FUND BALANCE, Beginning of Year</b>			<u>8,386,669</u>	
<b>FUND BALANCE, End of Year</b>			<u>\$ 8,356,744</u>	

**Notes to Required Supplementary Information**

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

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GOVERNMENTAL DESIGNATED GRANTS FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
<b>REVENUES</b>				
Intergovernmental				
Federal Sources			\$ 2,102,739	
State Sources			1,701,652	
Local Sources			314,424	
			<u>314,424</u>	
Total Revenues	3,279,483	4,356,795	4,118,815	(237,980)
<b>EXPENDITURES</b>				
Instructional Services			2,067,995	
Supporting Services				
Pupil Support Services			1,570,062	
Administration			21,566	
Business Services			329,017	
Operations and Maintenance			74,559	
Transportation			-	
Central Supporting Services			2,877	
Other Supporting Services			8,862	
Facilities Acquisition and Construction			43,877	
Debt Service			-	
Total Expenditures	3,279,483	4,356,795	4,118,815	237,980
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
<b>FUND BALANCE, Beginning of Year</b>			-	
<b>FUND BALANCE, End of Year</b>			<u>\$ -</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**PERA SCHDTF PENSION PLAN**  
**For the Years Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.6167517314%	0.5936487224%	0.6055495021%	0.6308345451%
District's proportionate share of the net pension liability (asset)	\$ 199,435,591	\$ 176,752,181	\$ 92,614,521	\$ 85,499,271
District's covered payroll	\$ 28,567,619	\$ 26,643,022	\$ 26,374,119	\$ 26,428,066
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	698%	663%	351%	324%
Plan fiduciary net position as a percentage of the total pension liability covered payroll	43.96%	43.1%	59.2%	62.8%

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

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

**Notes to Required Supplementary Information**

See Note 9 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**PERA SCHDTF PENSION PLAN**  
**For the Years Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 5,597,074	\$ 5,000,261	\$ 4,694,021	\$ 4,452,661	\$ 3,988,576	\$ 3,742,505	\$ 3,372,726	\$ 3,125,156	\$ 3,051,293
Contributions in relation to the contractually required contribution	<u>(5,597,074)</u>	<u>(5,000,261)</u>	<u>(4,694,021)</u>	<u>(4,452,661)</u>	<u>(3,988,576)</u>	<u>(3,742,505)</u>	<u>(3,372,726)</u>	<u>(3,125,156)</u>	<u>(3,051,293)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,115,278	\$ 26,987,628	\$ 26,482,692	\$ 26,371,360	\$ 26,149,589	\$ 24,788,562	\$ 23,230,173	\$ 23,185,515	\$ 24,506,305
Contributions as a percentage of covered payroll	18.59%	18.53%	17.72%	16.88%	15.25%	15.10%	14.52%	13.48%	12.45%

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

**Notes to Required Supplementary Information**

See Note 9 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE**  
**OF THE NET OPEB LIABILITY**  
**COLORADO PERA HEALTHCARE TRUST FUND**  
**For the Years Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.3504359341%	0.3374369636%
District's proportionate share of the net OPEB liability (asset)	\$ 4,554,265	\$ 4,374,985
District's covered payroll	\$ 28,567,619	\$ 26,643,022
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16%	16%
Plan fiduciary net position as a percentage of the total OPEB liability	17.50%	16.7%

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

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

**Notes to Required Supplementary Information**

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF DISTRICT CONTRIBUTIONS**  
**COLORADO PERA HEALTHCARE TRUST FUND**  
**For the Years Ended June 30, 2018**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Contractually required contribution	\$ 307,176	\$ 275,274	\$ 270,123	\$ 268,988	\$ 266,726	\$ 252,843	\$ 236,948	\$ 236,492	\$ 249,964
Contributions in relation to the contractually required contribution	<u>(307,176)</u>	<u>(275,274)</u>	<u>(270,123)</u>	<u>(268,988)</u>	<u>(266,726)</u>	<u>(252,843)</u>	<u>(236,948)</u>	<u>(236,492)</u>	<u>(249,964)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,115,278	\$ 26,987,628	\$ 26,482,692	\$ 26,371,360	\$ 26,149,589	\$ 24,788,562	\$ 23,230,173	\$ 23,185,515	\$ 24,506,305
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

45

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

**Notes to Required Supplementary Information**

See Note 10 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

## ***DURANGO SCHOOL DISTRICT 9-R***

### ***SUPPLEMENTARY INFORMATION***

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

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

**SPECIAL REVENUE FUNDS**

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

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

**CAPITAL PROJECTS FUNDS**

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

**DURANGO SCHOOL DISTRICT 9-R**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**June 30, 2018**

	<u>Special Revenue Funds</u>			<u>Totals</u>
	<u>Food Service Fund</u>	<u>Inter-Scholastic Activities Fund</u>	<u>Capital Projects Fund</u>	
<b>ASSETS</b>				
Equity in Pooled Cash	\$ 273,851	\$ 38,539	\$ 839,942	\$ 1,152,332
Accounts Receivable	-	60	27,081	27,141
Materials and Supplies Inventory	20,122	-	-	20,122
Prepaid Expenses	-	1,231	-	1,231
	<hr/>			<hr/>
Total Assets	<u>\$ 293,973</u>	<u>\$ 39,830</u>	<u>\$ 867,023</u>	<u>\$ 1,200,826</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 145	\$ 932	\$ 606,070	\$ 607,147
Accrued Salaries and Benefits	115,368	36,763	-	152,131
	<hr/>			<hr/>
Total Liabilities	<u>115,513</u>	<u>37,695</u>	<u>606,070</u>	<u>759,278</u>
<b>Fund Balances</b>				
Nonspendable				
Inventory	20,122	-	-	20,122
Restricted for				
Three Springs School	-	-	260,953	260,953
Committed for				
Interscholastic Activities	-	2,135	-	2,135
Capital Projects	-	-	-	-
Food Service	158,338	-	-	158,338
	<hr/>			<hr/>
Total Fund Balances	<u>178,460</u>	<u>2,135</u>	<u>260,953</u>	<u>441,548</u>
	<hr/>			<hr/>
Total Liabilities and Fund Balances	<u>\$ 293,973</u>	<u>\$ 39,830</u>	<u>\$ 867,023</u>	<u>\$ 1,200,826</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Special Revenue Funds</u>			<u>Total</u>
	<u>Food Service Fund</u>	<u>Inter- Scholastic Activities Fund</u>	<u>Capital Projects Fund</u>	
<b>REVENUES</b>				
Intergovernmental				
Federal Sources	\$ 917,371	\$ -	\$ -	\$ 917,371
State Sources	29,175	-	-	29,175
Intermediate Sources	-	-	352,848	352,848
Local Sources	601,574	128,067	11,350	740,991
Total Revenues	<u>1,548,120</u>	<u>128,067</u>	<u>364,198</u>	<u>2,040,385</u>
<b>EXPENDITURES</b>				
Instructional Services	-	887,720	-	887,720
Supporting Services				
Pupil Support Services	-	341,491	-	341,491
Business Services	-	-	-	-
Operations and Maintenance	-	-	314,883	314,883
Transportation	-	-	8,177	8,177
Central Supporting Services	-	-	189,867	189,867
Food Services	1,716,051	-	47,272	1,763,323
Other Supporting Services	-	-	-	-
Capital Outlay	-	-	1,909,352	1,909,352
Debt Service	-	-	212,074	212,074
Total Expenditures	<u>1,716,051</u>	<u>1,229,211</u>	<u>2,681,625</u>	<u>5,626,887</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(167,931)</u>	<u>(1,101,144)</u>	<u>(2,317,427)</u>	<u>(3,586,502)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	125,000	1,100,000	1,071,011	2,296,011
Total Other Financing Sources (Uses)	<u>125,000</u>	<u>1,100,000</u>	<u>1,071,011</u>	<u>2,296,011</u>
<b>NET CHANGE IN FUND BALANCE</b>	(42,931)	(1,144)	(1,246,416)	(1,290,491)
<b>FUND BALANCE, Beginning of Year</b>	<u>221,391</u>	<u>3,279</u>	<u>1,507,369</u>	<u>1,732,039</u>
<b>FUND BALANCE, End of Year</b>	<u>\$ 178,460</u>	<u>\$ 2,135</u>	<u>\$ 260,953</u>	<u>\$ 441,548</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOOD SERVICE FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Budget</b>
	<b>Original</b>	<b>Amended</b>		
<b>REVENUES</b>				
Federal Sources	\$ 955,000	\$ 955,000	\$ 917,371	\$ (37,629)
State Sources	17,000	30,000	29,175	(825)
Local Sources	500,000	540,000	601,574	61,574
 Total Revenues	 1,472,000	 1,525,000	 1,548,120	 23,120
<b>EXPENDITURES</b>				
Supporting Services				
Food Services				
Salaries and Benefits	789,775	800,000	862,361	(62,361)
Purchased Services	26,600	27,000	11,066	15,934
Materials and Supplies				
Food and Milk	776,900	810,000	774,829	35,171
Other Operating	28,330	77,230	67,795	9,435
 Total Expenditures	 1,621,605	 1,714,230	 1,716,051	 (1,821)
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(149,605)</u>	<u>(189,230)</u>	<u>(167,931)</u>	<u>21,299</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	125,000	125,000	125,000	-
 Total Other Financing Sources (Uses)	 125,000	 125,000	 125,000	 -
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (24,605)</u>	<u>\$ (64,230)</u>	<u>(42,931)</u>	<u>\$ 21,299</u>
<b>FUND BALANCE, Beginning of Year</b>			<u>221,391</u>	
<b>FUND BALANCE, End of Year</b>			<u>\$ 178,460</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN**  
**FUND BALANCE - BUDGET AND ACTUAL**  
**INTERSCHOLASTIC ACTIVITIES FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Budget</b>
	<b>Original</b>	<b>Amended</b>		
<b>REVENUES</b>				
Local Sources	\$ 126,808	\$ 127,000	\$ 128,067	\$ 1,067
Total Revenues	126,808	127,000	128,067	1,067
<b>EXPENDITURES</b>				
Instructional Services	1,068,111	1,230,279	887,720	342,559
Supporting Services				
Pupil Support Services	-	-	341,491	(341,491)
Total Expenditures	1,068,111	1,230,279	1,229,211	1,068
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(941,303)</u>	<u>(1,103,279)</u>	<u>(1,101,144)</u>	<u>2,135</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,000,000	1,100,000	1,100,000	-
Total Other Financing Sources (Uses)	1,000,000	1,100,000	1,100,000	-
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 58,697</u>	<u>\$ (3,279)</u>	<u>(1,144)</u>	<u>\$ 2,135</u>
<b>FUND BALANCE, Beginning of Year</b>			<u>3,279</u>	
<b>FUND BALANCE, End of Year</b>			<u>\$ 2,135</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**CAPITAL RESERVE CAPITAL PROJECTS FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
<b>REVENUES</b>				
Intergovernmental				
Intermediate Sources	\$ 350,000	\$ 350,000	\$ 352,848	\$ 2,848
Local Sources	94,395	100,000	11,350	(88,650)
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	444,395	450,000	364,198	(85,802)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES</b>				
Supporting Services				
Operations and Maintenance	-	-	314,883	(314,883)
Transportation	300,000	300,000	8,177	291,823
Central Supporting Services	-	-	189,867	(189,867)
Food Services	-	-	47,272	(47,272)
Capital Outlay	1,504,284	1,689,767	1,909,352	(219,585)
Debt Service	212,000	212,000	212,074	(74)
Contingency	-	250,000	-	250,000
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	2,016,284	2,451,767	2,681,625	(229,858)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<hr/> <b>(1,571,889)</b>	<hr/> <b>(2,001,767)</b>	<hr/> <b>(2,317,427)</b>	<hr/> <b>(315,660)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,200,000	1,850,000	1,071,011	778,989
	<hr/>	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	1,200,000	1,850,000	1,071,011	778,989
	<hr/>	<hr/>	<hr/>	<hr/>
<b>NET CHANGE IN FUND BALANCE</b>	<hr/> <b>\$ (371,889)</b>	<hr/> <b>\$ (151,767)</b>	<hr/> <b>(1,246,416)</b>	<hr/> <b>\$ (1,094,649)</b>
	<hr/>	<hr/>	<hr/>	<hr/>
<b>FUND BALANCE, Beginning of Year</b>			<hr/> 1,507,369	
			<hr/>	
<b>FUND BALANCE, End of Year</b>			<hr/> <b>\$ 260,953</b>	
			<hr/>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**DEBT SERVICE FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	Budget		Actual	Variance with Budget
	Original	Amended		
<b>REVENUES</b>				
Taxes	\$ 8,379,872	\$ 7,607,833	\$ 7,659,134	\$ 51,301
Interest on Investments	50,000	75,000	102,203	27,203
Total Revenues	<u>8,429,872</u>	<u>7,682,833</u>	<u>7,761,337</u>	<u>78,504</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	5,495,000	5,865,000	5,865,000	-
Interest	2,125,750	1,652,437	1,652,438	(1)
Other	4,000	4,000	1,800	2,200
Total Expenditures	<u>7,624,750</u>	<u>7,521,437</u>	<u>7,519,238</u>	<u>2,199</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u><u>\$ 805,122</u></u>	<u><u>\$ 161,396</u></u>	242,099	<u><u>\$ 80,703</u></u>
<b>FUND BALANCE, Beginning of Year</b>			<u>10,486,381</u>	
<b>FUND BALANCE, End of Year</b>			<u><u>\$ 10,728,480</u></u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - BUDGET AND ACTUAL**  
**AFTER SCHOOL ENRICHMENT PROGRAM FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Budget</b>		<b>Actual</b>	<b>Variance with Budget</b>
	<b>Original</b>	<b>Amended</b>		
<b>OPERATING REVENUES</b>				
Charges for Services				
Tuition	\$ 304,879	\$ 310,000	\$ 229,811	\$ (80,189)
Total Operating Revenues	<u>304,879</u>	<u>310,000</u>	<u>229,811</u>	<u>(80,189)</u>
<b>OPERATING EXPENSES</b>				
Salaries and Benefits	315,669	315,669	293,378	22,291
Purchased Services	-	-	10,743	(10,743)
Supplies and Materials	-	-	2,829	(2,829)
Other	23,097	21,896	536	21,360
Total Operating Expenses	<u>338,766</u>	<u>337,565</u>	<u>307,486</u>	<u>30,079</u>
<b>OPERATING INCOME (LOSS)</b>	(33,887)	(27,565)	(77,675)	(50,110)
<b>TRANSFERS IN</b>	<u>30,000</u>	<u>80,000</u>	<u>80,000</u>	<u>-</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (3,887)</u>	<u>\$ 52,435</u>	2,325	<u>\$ (50,110)</u>
<b>NET POSITION, Beginning of Year</b>			<u>2,420</u>	
<b>NET POSITION, End of Year</b>			<u>\$ 4,745</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**COMBINING SCHEDULE OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**June 30, 2018**

	<b>Dental Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Equity in Pooled Cash and Investments	\$ 244,575	\$ 1,608,267	\$ 1,852,842
Total Assets	244,575	1,608,267	1,852,842
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	-	126	126
Incurred but Unreported Medical Claims	-	818,908	818,908
Total Current Liabilities	-	819,034	819,034
<b>NET POSITION</b>			
Unrestricted	244,575	789,233	1,033,808
Total Net Position	\$ 244,575	\$ 789,233	\$ 1,033,808

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET POSITION - INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Dental Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>OPERATING REVENUES</b>			
Premium Revenue	\$ 414,912	\$ 4,929,753	\$ 5,344,665
Total Operating Revenues	414,912	4,929,753	5,344,665
<b>OPERATING EXPENSES</b>			
Purchased Services	349,536	6,556,963	6,906,499
Total Operating Expenses	349,536	6,556,963	6,906,499
<b>OPERATING INCOME (LOSS)</b>	65,376	(1,627,210)	(1,561,834)
<b>NON-OPERATING REVENUES</b>			
Interest on Investments	108	29,112	29,220
Total Non-Operating Revenues	108	29,112	29,220
<b>CHANGE IN NET POSITION</b>	65,484	(1,598,098)	(1,532,614)
<b>NET POSITION, Beginning of Year</b>	179,091	2,387,331	2,566,422
<b>NET POSITION, End of Year</b>	<u>\$ 244,575</u>	<u>\$ 789,233</u>	<u>\$ 1,033,808</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<b>Dental Insurance Fund</b>	<b>Health Insurance Fund</b>	<b>Total</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash Received from Customers and Others	\$ 414,912	\$ 4,959,753	\$ 5,374,665
Cash Payments for Goods and Services	(349,536)	(6,100,464)	(6,450,000)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>65,376</u>	<u>(1,140,711)</u>	<u>(1,075,335)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>			
	-	-	-
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
	-	-	-
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest Received	108	29,112	29,220
<b>Net Cash Provided (Used) by Investing Activities</b>	<u>108</u>	<u>29,112</u>	<u>29,220</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	65,484	(1,111,599)	(1,046,115)
<b>CASH AND CASH EQUIVALENTS, Beginning of Year</b>	<u>179,091</u>	<u>2,719,866</u>	<u>2,898,957</u>
<b>CASH AND CASH EQUIVALENTS, End of Year</b>	<u>\$ 244,575</u>	<u>\$ 1,608,267</u>	<u>\$ 1,852,842</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
<b>OPERATING INCOME (LOSS)</b>	\$ 65,376	\$ (1,627,210)	\$ (1,561,834)
<b>ADJUSTMENTS TO RECONCILE OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>			
(Increase) Decrease in Assets			
Accounts Receivable	-	30,000	30,000
Increase (Decrease) in Liabilities			
Accounts Payable	-	126	126
Incurred but Unreported Medical Claims	-	456,373	456,373
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 65,376</u>	<u>\$ (1,140,711)</u>	<u>\$ (1,075,335)</u>

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - BUDGET AND ACTUAL**  
**DENTAL INSURANCE FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
<b>OPERATING REVENUES</b>				
Premium Revenues	\$ 365,000	\$ 365,000	\$ 414,912	\$ 49,912
Total Operating Revenues	<u>365,000</u>	<u>365,000</u>	<u>414,912</u>	<u>49,912</u>
<b>OPERATING EXPENSES</b>				
Purchased Services				
Dental Claims	285,000	310,000	315,033	(5,033)
Administrative Costs	30,000	30,000	34,503	(4,503)
Contingency Reserve	20,000	20,000	-	20,000
Total Operating Expenses	<u>335,000</u>	<u>360,000</u>	<u>349,536</u>	<u>10,464</u>
<b>OPERATING INCOME (LOSS)</b>	<u>30,000</u>	<u>5,000</u>	<u>65,376</u>	<u>60,376</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest on Investments	-	1,500	108	(1,392)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>1,500</u>	<u>108</u>	<u>(1,392)</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ 30,000</u>	<u>\$ 6,500</u>	<u>65,484</u>	<u>\$ 58,984</u>
<b>NET POSITION, Beginning of Year</b>			<u>179,091</u>	
<b>NET POSITION, End of Year</b>			<u>\$ 244,575</u>	

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF REVENUES, EXPENSES, AND CHANGES**  
**IN NET POSITION - BUDGET AND ACTUAL (NON-GAAP)**  
**HEALTH INSURANCE FUND**  
**For the Fiscal Year Ended**  
**June 30, 2018**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Budget</u>
	<u>Original</u>	<u>Amended</u>		
<b>OPERATING REVENUES</b>				
Premium Revenues	\$ 4,082,805	\$ 4,800,000	\$ 4,929,753	\$ 129,753
Total Operating Revenues	<u>4,082,805</u>	<u>4,800,000</u>	<u>4,929,753</u>	<u>129,753</u>
<b>OPERATING EXPENSES</b>				
Purchased Services				
Medical and Prescription Claims	3,250,000	4,765,858	4,830,991	(65,133)
Administrative Costs	843,750	843,750	907,064	(63,314)
Contingency Reserve	700,000	500,000	-	500,000
Total Operating Expenses	<u>4,793,750</u>	<u>6,109,608</u>	<u>5,738,055</u>	<u>371,553</u>
<b>OPERATING INCOME (LOSS)</b>	<u>(710,945)</u>	<u>(1,309,608)</u>	<u>(808,302)</u>	<u>501,306</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest on Investments	11,000	26,500	29,112	2,612
Total Non-Operating Revenues (Expenses)	<u>11,000</u>	<u>26,500</u>	<u>29,112</u>	<u>2,612</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (699,945)</u>	<u>\$ (1,283,108)</u>	<u>(779,190)</u>	<u>\$ 503,918</u>
<b>NON-BUDGETED EXPENSES</b>				
Incurred but Not Received Claims			<u>(818,908)</u>	
<b>CHANGE IN NET POSITION - GAAP BASIS</b>			<u>(1,598,098)</u>	
<b>NET POSITION, Beginning of Year</b>			<u>2,387,331</u>	
<b>NET POSITION, End of Year</b>			<u>\$ 789,233</u>	

## **DURANGO SCHOOL DISTRICT 9-R STATISTICAL SECTION**

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

### **Financial Trend Data**

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

### **Revenue Capacity Data**

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

### **Debt Capacity Data**

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

### **Demographic and Economic Information**

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

### **Operating Information**

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 13,746,012	\$ 19,007,479	\$ 19,041,179	\$ 20,979,725	\$ 27,267,945	\$ 32,359,384	\$ 36,000,870	\$ 37,014,006	\$ 43,572,599	\$ 47,485,436
Restricted	12,905,815	13,474,134	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497	12,862,764
Unrestricted	4,554,722	5,139,143	9,907,490	12,140,395	11,117,725	7,854,541	(72,603,748)	(73,252,267)	(102,287,572)	(146,500,800)
Total Governmental Activities Net Assets	<u>31,206,549</u>	<u>37,620,756</u>	<u>42,494,043</u>	<u>46,460,062</u>	<u>49,290,436</u>	<u>51,464,390</u>	<u>(25,824,947)</u>	<u>(24,205,205)</u>	<u>(46,438,476)</u>	<u>(86,152,600)</u>
Business-Type Activities										
Invested in Capital Assets, Net of Related Debt	136,747	116,382	96,019	86,295	65,371	44,447	-	-	-	-
Unrestricted	(121,465)	(99,368)	4,662	95,834	84,371	48,888	213	9,455	2,420	4,745
Total Business-Type Activities Net Assets	<u>15,282</u>	<u>17,014</u>	<u>100,681</u>	<u>182,129</u>	<u>149,742</u>	<u>93,335</u>	<u>213</u>	<u>9,455</u>	<u>2,420</u>	<u>4,745</u>
Primary Government										
Invested in Capital Assets, Net of Related Debt	13,882,759	19,123,861	19,137,198	21,066,020	27,333,316	32,403,831	36,000,870	37,014,006	43,572,599	47,485,436
Restricted	12,905,815	13,474,134	13,545,374	13,339,942	10,904,766	11,250,465	10,777,931	12,033,056	12,276,497	12,862,764
Unrestricted	4,433,257	5,039,775	9,912,152	12,236,229	11,202,096	7,903,429	(72,603,535)	(73,242,812)	(102,285,152)	(146,496,055)
Total Primary Government Net Assets	<u>\$ 31,221,831</u>	<u>\$ 37,637,770</u>	<u>\$ 42,594,724</u>	<u>\$ 46,642,191</u>	<u>\$ 49,440,178</u>	<u>\$ 51,557,725</u>	<u>\$ (25,824,734)</u>	<u>\$ (24,195,750)</u>	<u>\$ (46,436,056)</u>	<u>\$ (86,147,855)</u>

Source: District Records (Statement of Net Assets)

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

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

Source: District Records (Statement of Activities)

DURANGO SCHOOL DISTRICT 9-R  
FUND BALANCES OF GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable			\$ 80,363	\$ 73,981	\$ 82,608	\$ 60,763	\$ 76,261	\$ 58,549	\$ 57,815	\$ 59,273
Restricted			3,951,696	3,990,216	3,574,852	1,975,477	1,300,000	1,355,000	1,509,426	1,873,333
Committed			3,151,337	3,162,615	3,090,898	2,830,018	2,926,702	2,987,919	3,520,375	3,602,876
Assigned			1,335,063	1,985,512	2,117,852	822,535	852,354	696,385	440,119	439,759
Unassigned			1,154,274	1,753,356	436,717	950,296	1,001,744	2,509,889	2,858,934	2,381,504
Total General Fund			<u>9,672,733</u>	<u>10,965,680</u>	<u>9,302,927</u>	<u>6,639,089</u>	<u>6,157,061</u>	<u>7,607,742</u>	<u>8,386,669</u>	<u>8,356,745</u>
All Other Governmental Funds										
Nonspendable							28,720	19,374	20,122	20,122
Restricted			12,495,374	12,289,942	9,704,766	10,050,465	9,576,262	12,578,056	10,767,071	10,989,432
Committed						231,682	900,000			160,473
Assigned			566,783	556,880	1,657,521	1,125,410	466,386	211,735	1,431,227	
Unassigned										
Total all other governmental funds			<u>13,062,157</u>	<u>12,846,822</u>	<u>11,362,287</u>	<u>11,407,557</u>	<u>10,971,368</u>	<u>12,809,165</u>	<u>12,218,420</u>	<u>11,170,027</u>
General Fund										
Reserved	\$ 1,486,896	\$ 1,504,770								
Unreserved	<u>2,579,562</u>	<u>4,490,367</u>								
Total General Fund	<u>4,066,458</u>	<u>5,995,137</u>								
Reserved	11,816,706	12,309,134								
Unreserved, Reported in:										
Capital Projects Fund										
Special Revenue Funds	<u>955,890</u>	<u>669,783</u>								
Total All Other Governmental Funds	<u>12,772,596</u>	<u>12,978,917</u>								
Total Governmental Funds	<u>\$ 16,839,054</u>	<u>\$ 18,974,054</u>	<u>\$ 22,734,890</u>	<u>\$ 23,812,502</u>	<u>\$ 20,665,214</u>	<u>\$ 18,046,646</u>	<u>\$ 17,128,429</u>	<u>\$ 20,416,907</u>	<u>\$ 20,605,089</u>	<u>\$ 19,526,772</u>

Source: District Records (Balance Sheet - Governmental Funds)

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

LAST TEN FISCAL YEARS  
(modified accrual basis of accounting)

	Fiscal Year										
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>REVENUES</b>											
Taxes	\$ 31,899,501	\$ 31,793,685	\$ 34,159,116	\$ 28,662,925	\$ 28,143,157	\$ 27,422,251	\$ 26,729,197	\$ 28,109,416	\$ 28,884,317	\$ 28,429,184	\$ 29,568,039
Intergovernmental:											
Federal	1,264,269	997,009	1,285,284	2,583,554	1,142,634	1,125,808	1,447,177	1,892,374	1,716,580	2,019,784	3,045,215
State	16,366,302	17,545,575	16,728,969	17,716,416	17,454,483	17,739,314	20,105,493	21,212,985	22,031,148	26,616,137	31,300,618
County or Intermediate	638,846								562,188	392,528	352,848
Local	8,353		329,829	599,994	654,336	1,295,979	1,214,676	2,419,147	2,178,089	2,314,678	2,229,948
Interest	582,044	248,816	88,967	116,468	118,254	36,479	19,817	16,860	46,438	133,426	279,060
Miscellaneous	1,055,806	685,567	930,725	876,110	867,064	602,781	678,292	203,035	233,821	322,409	4,368
<b>Total Revenues</b>	<b>51,815,121</b>	<b>51,270,652</b>	<b>53,522,890</b>	<b>50,555,467</b>	<b>48,379,928</b>	<b>48,222,612</b>	<b>50,194,652</b>	<b>53,853,817</b>	<b>55,652,581</b>	<b>60,228,146</b>	<b>66,780,096</b>
<b>EXPENDITURES</b>											
Current:											
Instructional	\$ 34,746,622	\$ 24,534,816	\$ 23,376,126	\$ 22,374,053	\$ 23,324,763	\$ 23,586,017	\$ 25,098,635	\$ 25,273,438	\$ 25,143,058	\$ 27,743,959	\$ 33,713,329
Supporting Services	3,593,578	15,508,742	15,521,562	15,386,056	15,491,949	17,310,118	17,498,558	18,775,786	19,422,601	20,813,504	24,088,930
Capital Outlay	1,104,560	2,072,507	1,212,977	434,661	725,386	3,611,798	2,042,214	2,705,635	1,997,516	3,060,102	1,953,229
Debt Service:											
Principal	6,895,000	7,115,000	7,385,000	4,925,000	5,045,000	7,275,000	5,070,000	4,270,000	5,495,000	5,750,000	7,519,238
Interest	4,365,593	4,093,858	3,823,283	3,056,623	3,057,726	2,825,235	2,569,300	3,392,150	2,035,170	1,872,944	291,613
Other	451,790	10,150	4,610	197,999	186,964	156,157	240,013	248,193	366,994	514,455	212,074
<b>Total Expenses</b>	<b>51,157,143</b>	<b>53,335,073</b>	<b>51,323,558</b>	<b>46,374,392</b>	<b>47,831,788</b>	<b>54,764,325</b>	<b>52,518,720</b>	<b>54,665,202</b>	<b>54,460,339</b>	<b>59,754,964</b>	<b>67,778,413</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	657,978	(2,064,421)	2,199,332	4,181,075	548,140	(6,541,713)	(2,324,068)	(811,385)	1,192,242	473,182	(998,316)
Other Financing Sources (Uses)											
Sale of Fixed Assets or Land Proceeds of the State Loan Program	5,574,951	6,572,599	5,337,625	428,052							
Payments to the State Loan Program	(5,574,951)	(6,572,599)	(5,337,625)	(428,052)							
Bonds Issued				29,826,260	17,200,000				5,608,890		
Bond Refunding				(29,632,546)	(19,385,162)				(5,794,425)		
Premium on Bond Issued					2,325,499				289,929		
Lease Proceeds						3,052,303			1,900,000		
Transfers/ Allocation In	1,575,400	2,601,018	2,665,249	2,762,070	1,444,128	3,811,091	2,378,869	3,133,604	1,657,874	3,550,000	2,296,011
Transfers/ Allocation Out	(1,760,400)	(2,721,018)	(2,840,249)	(3,380,681)	(1,567,128)	(3,934,091)	(2,673,369)	(3,197,104)	(1,708,374)	(3,835,000)	(2,376,011)
<b>Total Other Financing Sources (Uses)</b>	<b>(185,000)</b>	<b>(120,000)</b>	<b>(64,332)</b>	<b>(420,239)</b>	<b>21,786</b>	<b>2,929,303</b>	<b>(294,500)</b>	<b>(63,500)</b>	<b>2,096,236</b>	<b>(285,000)</b>	<b>(80,000)</b>
<b>Net Change in Fund Balances</b>	<b>\$ 472,978</b>	<b>\$ (2,184,421)</b>	<b>\$ 2,135,000</b>	<b>\$ 3,760,836</b>	<b>\$ 569,926</b>	<b>\$ (3,612,410)</b>	<b>\$ (2,618,568)</b>	<b>\$ (874,885)</b>	<b>\$ 3,288,478</b>	<b>\$ 188,182</b>	<b>\$ (1,078,316)</b>
Debt Service as a Percentage of Noncapital Expenditures	22.36%	21.60%	22.24%	17.58%	16.94%	18.44%	14.55%	14.02%	13.83%	12.76%	11.52%

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

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

Assessment Year	Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial, Agricultural & Natural Resources	Oil & Gas	State Assessed, Vacant Land & Other	Total Taxable Assessed Value	Total Direct Tax Rate	Total Actual Taxable Value	Assessed Value as a Percentage of Actual Value	Residential Assessment Rate	Oil & Gas Assessment Rate	All Others Assessment Rate
2008	2009	472,178,170	348,415,365	51,470,900	922,061,130	234,819,580	2,028,945,145	14.756	9,585,758,135	21.17%	7.96%	87.50%	29.00%
2009	2010	505,989,680	362,017,440	52,984,560	1,045,641,070	232,359,900	2,198,992,650	14.484	10,134,796,950	21.70%	7.96%	87.50%	29.00%
2010	2011	511,958,840	362,362,690	52,794,660	478,033,270	235,123,900	1,640,273,360	16.368	9,566,997,110	17.15%	7.96%	87.50%	29.00%
2011	2012	488,530,199	345,779,979	50,378,631	456,157,156	224,363,985	1,565,209,950	16.368	8,776,262,610	17.83%	7.96%	87.50%	29.00%
2012	2013	468,373,080	329,729,870	30,877,730	474,235,410	190,418,550	1,493,634,640	17.017	8,696,152,210	17.18%	7.96%	87.50%	29.00%
2013	2014	442,086,890	314,865,730	33,388,270	323,115,560	170,362,600	1,283,819,050	19.090	8,084,509,080	15.88%	7.96%	87.50%	29.00%
2014	2015	450,117,610	320,762,010	36,000,160	383,743,340	166,867,230	1,357,490,350	19.090	8,272,720,720	16.41%	7.96%	87.50%	29.00%
2015	2016	509,495,590	331,701,950	36,325,300	443,997,090	168,696,490	1,490,216,420	17.876	9,156,871,230	16.27%	7.96%	87.50%	29.00%
2016	2017	518,261,530	338,626,890	37,755,580	263,427,240	168,565,300	1,326,636,540	19.874	9,031,667,280	14.69%	7.96%	87.50%	29.00%
2017	2018	632,017,000	405,146,000	48,343,640	454,298,000	222,974,000	1,762,779,000	19.874	11,629,844,000	15.16%	7.96%	87.50%	29.00%

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

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

Assessment Year	Fiscal Year	Durango School District 9-R					City of Durango Millage	La Plata County	Special Districts	Total Direct & Overlapping Rates (1)
		General Fund Millage	Bond Levy Millage	Override Levy Millage	ADA/Asbestos Abatement	Total District Millage	Total City Millage	Total County Millage	Total Special District Millage	
2008	2009	6.601	5.548	2.475	0.141	14.765	2.507	8.564	1.421	27.257
2009	2010	6.601	5.129	2.283	0.471	14.484	2.507	8.674	1.419	27.084
2010	2011	6.601	4.629	5.012	0.126	16.368	2.507	8.500	1.505	28.880
2011	2012	6.601	4.470	5.226	0.071	16.368	2.507	8.500	1.564	28.939
2012	2013	6.601	4.854	5.504	0.058	17.017	2.507	8.500	1.585	29.609
2013	2014	6.601	6.040	6.404	0.045	19.090	2.507	8.500	1.424	31.521
2014	2015	6.601	6.367	6.056	0.066	19.090	2.507	8.500	2.052	32.149
2015	2016	6.601	5.73	5.517	0.028	17.876	2.507	8.500	2.057	30.940
2016	2017	6.601	5.755	7.501	0.017	19.874	2.507	8.500	2.967	33.848
2017	2018	6.601	5.776	7.846	0.058	20.281	2.507	8.500	2.351	33.639

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

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

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

Taxpayer	Type of Business	2017			2008		
		Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
BP America Production Co.	Energy	\$ 261,451,540	1	14.39%	\$ 889,525,320	1	29.96%
Williams Four Corners LLC	Energy	59,576,520	2	3.28%			
Samson Resources Company	Energy	54,617,580	3	3.01%	144,589,760	2	4.87%
Red Cedar	Energy	26,664,250	4	1.47%	24,268,500	10	0.82%
XTO Energy Company	Energy	25,864,990	5	1.42%	102,746,560	4	3.46%
La Plata Electric Association	Energy	19,344,700	6	1.06%			
Conoco Phillips Company	Energy	18,490,690	7	1.02%	103,598,300	3	
Burlington Resources Oil & Gas	Energy	16,326,850	8	0.90%	68,948,100	6	2.32%
Red Willow Production Co.	Energy	12,848,400	9	0.71%	59,670,790	7	2.01%
GCC Energy LLC	Energy	8,538,600	10	0.47%			
Chevron Texaco	Energy				96,348,560	5	3.25%
Chevron Midcontinent LP	Energy				36,391,300	8	1.23%
Williams Field Services	Energy				24,872,830	9	0.84%
Totals		<u>\$ 503,724,120</u>		<u>27.72%</u>	<u>\$ 1,550,960,020</u>		<u>48.75%</u>
Total Assessed Valuation		\$ 1,817,507,020			\$ 2,968,738,000		

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

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

Assessment Year	Collection Year	Current Tax Levy (4)	Current Tax Collections (3)	Percent of Current Taxes Collected	Delinquent Tax Collections (1)	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy (5)
2008	2009	29,957,375	29,285,077	97.76%	176,854	29,461,931	98.35%
2009	2010	31,849,739	31,050,858	97.49%	464,515	31,515,373	98.95%
2010	2011	26,847,994	26,681,367	99.38%	49,502	26,730,869	99.56%
2011	2012	25,619,356	25,240,988	98.52%	14,770	25,255,758	98.58%
2012	2013	25,417,181	25,013,976	98.41%	20,163	25,034,139	98.49%
2013	2014	24,508,106	24,136,969	98.49%	12,309	24,149,278	98.54%
2014	2015	25,914,791	25,291,782	97.60%	11,017	25,302,799	97.64%
2015	2016	26,639,109	26,385,177	99.05%	3,460	26,388,637	99.06%
2016	2017	26,366,052	25,964,047	98.48%	5,370	25,969,417	98.50%
2017	2018	26,809,537	26,238,343	97.87%	4,238	26,242,581	97.89%

Notes:

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

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

Fiscal Year Ended June 30	Assessed Value	Debt Limit (1)	Total Net Debt Applicable to Limit	Legal Debt Margin	Total Net Debt Applicable to the Limit as a Percentage of Debt Limit
2009	2,028,945,145	405,789,029	86,630,000	311,803,101	21.35%
2010	2,198,992,650	439,798,530	79,245,000	360,553,530	18.02%
2011	1,640,273,360	328,054,672	74,320,000	253,734,672	22.65%
2012	1,565,209,950	313,041,990	68,800,000	244,241,990	21.98%
2013	1,493,634,640	298,726,928	61,525,000	237,201,928	20.60%
2014	1,283,819,050	256,763,810	56,455,000	200,308,810	21.99%
2015	1,357,490,350	271,498,070	52,185,000	219,313,070	19.22%
2016	1,490,216,420	298,043,284	46,620,000	251,423,284	15.64%
2017	1,326,636,540	265,327,308	40,870,000	224,457,308	15.40%
2018	1,762,779,000	352,555,800	35,005,000	317,550,800	9.93%

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

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

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

Fiscal Year Ended June 30	Total Actual Taxable Value	General Bonded Debt	Less: Amounts Available in Debt Service Fund (1)	Total	Percentage of Estimated Actual Taxable Vaule of Property	County Population	Bonded Debt per Capita
2009	9,585,758,135	86,630,000	11,780,815	74,849,185	0.8%	50,241	1,724
2010	10,134,796,950	79,245,000	12,309,134	66,935,866	0.7%	51,338	1,544
2011	9,566,997,110	74,320,000	13,039,846	61,280,154	0.6%	51,770	1,436
2012	8,776,262,610	68,800,000	12,289,942	56,510,058	0.6%	52,305	1,315
2013	8,696,152,210	61,525,000	9,704,766	51,820,234	0.6%	53,334	1,154
2014	8,084,509,080	56,455,000	10,050,465	46,404,535	0.6%	53,989	1,046
2015	8,272,720,720	52,185,000	9,379,652	42,805,348	0.5%	54,688	954
2016	9,156,871,230	46,620,000	10,460,541	36,159,459	0.4%	55,454	841
2017	9,031,667,280	40,870,000	10,486,381	30,383,619	0.3%	55,623	735
2018	11,629,844,000	35,005,000	10,728,481	24,276,519	0.2%	55,589	630

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

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

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

Fiscal Year Ended June 30	Annual Debt Service Expenditures for General Bonded Debt	Total General Fund Expenditures	Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures
2009	11,219,008	37,589,379	29.8%
2010	11,212,893	36,375,260	30.8%
2011	8,179,622	35,354,305	23.1%
2012	8,249,606	36,549,075	22.6%
2013	10,102,385	38,470,903	26.3%
2014	7,642,300	41,056,519	18.6%
2015	7,664,400	41,324,915	18.5%
2016	7,632,924	40,270,137	19.0%
2017	7,624,744	44,238,996	17.2%
2018	7,519,238	50,513,474	14.9%

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

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

Fiscal Year	Governmental Activities			County Population	Per Capita	Percentage of Personal Income (1)
	General Obligation Bonds	Capital Lease	Outstanding Debt			
2009	86,630,000		86,630,000	50,241	1,724	3.90%
2010	79,245,000		79,245,000	51,338	1,544	3.77%
2011	74,320,000	76,449	74,396,449	51,770	1,437	3.42%
2012	68,800,000	38,831	68,838,831	52,305	1,316	3.00%
2013	61,525,000	2,995,520	64,520,520	53,334	1,210	2.66%
2014	56,455,000	2,834,861	59,289,861	53,989	1,098	2.36%
2015	52,185,000	2,660,968	54,845,968	54,688	1,003	2.16%
2016	46,620,000	4,364,093	50,984,093	55,454	919	1.83%
2017	40,870,000	3,970,063	44,840,063	55,623	806	1.58%
2018	35,005,000	3,557,841	38,562,841	55,589	694	1.33%

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

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

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

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

06/30/18  
(Unaudited)

	2017 Assessed Valuation	Entity's General Debt	Percentage Applicable to the District	Amount of Outstanding Debt Applicable to the District
<b>Direct Debt:</b>				
General Obligation Debt	\$ 1,817,507,020	\$ 35,005,000	100.00%	\$ 68,800,000
Capital Leases		3,557,841	100.00%	3,557,841
<b>Overlapping Debt:</b>				
Aspen Trails Metropolitan District	2,581,210		100.00%	
Durango West Metro District No. 1	4,378,030		100.00%	
Edgemont Ranch Metropolitan District	23,098,270	349,088	100.00%	349,088
El Rancho Florida Metro. District	3,412,770	1,045,187	100.00%	1,045,187
La Plata Archuleta Water District	324,370,200	6,335,853	100.00%	6,335,853
La Plata County Palo Verde PID No. 3	610,390	242,353	100.00%	242,353
Tamarron Metropolitan District	13,076,020	23,126,699	100.00%	23,126,699
Three Springs Metro. Districts 1	16,403,800	16,870,000	100.00%	16,870,000
Upper Pine River Fire Protection District	233,582,500	4,025,741	11.18%	450,078
Total Overlapping Debt				48,419,258
Total Direct General Obligation and Overlapping Debt				\$ 120,777,099
Debt Ratio				3.79%
Debt Ratio with Over-lapping Debt				6.45%

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

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

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

Fiscal Year	County Population	Unemployment Rate	Per Capita Income	Certified Funded Pupil Count	School Enrollment	Government-wide Governmental Activities Expenses	Cost per Student
2009	50,241	3.9%	44,176	4,574.7	4,858	\$47,443,734	\$9,766
2010	51,338	5.5%	40,971	4,536.9	4,699	\$46,373,268	\$9,869
2011	51,770	7.2%	42,032	4,496.7	4,688	\$45,651,708	\$9,738
2012	52,305	6.6%	43,834	4,443.7	4,559	\$43,878,001	\$9,624
2013	53,334	5.7%	45,476	4,395.5	4,653	\$45,059,231	\$9,684
2014	53,989	4.2%	46,492	4,362.1	4,762	\$47,476,305	\$9,970
2015	54,688	3.8%	46,388	4,353.9	4,723	\$53,312,040	\$11,288
2016	55,454	3.1%	50,206	4,411.7	4,818	\$53,950,432	\$11,199
2017	55,623	2.4%	51,110	4,812.5	5,183	\$82,606,771	\$15,938
2018	55,589	2.6%	52,030	5,087.0	5,509	\$102,115,797	\$18,536

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

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

Employer	2017		2008	
	Employees	Percentage of Total County Employment	Employees	Percentage of Total County Employment
Durango Mountain Resort/Purgatory	1,000	3.21%	N/A	0.00%
Mercy Medical Center	860	2.76%	724	2.32%
Durango School District 9-R	853	2.74%	795	2.55%
Southern Ute Indian Tribe	795	2.55%	744	2.39%
Crossfire	705	2.26%	N/A	0.00%
Fort Lewis College	660	2.12%	645	2.07%
City of Durango	546	1.75%	458	1.47%
La Plata County	434	1.39%	388	1.25%
Southern Ute Lodge & Casino	425	1.36%	301	0.97%
Vantiv	460	1.48%	N/A	0.00%
Total	<u>6,738</u>	<u>21.63%</u>	<u>4,055</u>	<u>13.01%</u>
Total La Plata County Employment	<u>31,148</u>	<u>100%</u>	<u>31,162</u>	<u>100%</u>

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

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

The most recent data available is provided in the schedule.

DURANGO SCHOOL DISTRICT 9-R  
 CAPITAL ASSETS BY FUNCTION  
 LAST TEN YEARS

Function:	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Instruction	\$137,216,179	\$137,791,996	\$138,429,785	\$139,016,439	\$136,880,287	\$137,242,054	\$139,694,769	\$141,700,844	\$140,880,916	\$141,704,831
Pupil Activities	107,729	107,729	107,729	245,547	260,551	1,635,056	2,385,518	2,581,405	6,212,754	6,249,088
General Administration	938,214	882,639	964,516	1,136,175	1,224,351	1,224,351	1,238,150	1,238,150	1,270,690	1,278,121
School Administration	348,674	348,674	348,674	348,674	348,674	348,674	348,674	348,674	348,674	350,713
Business Services	174,336	184,164	184,164	184,164	184,164	184,164	184,164	203,848	235,247	236,623
Maintenance & Operations	411,469	411,469	613,641	613,641	701,388	1,605,973	1,612,099	1,623,049	1,911,657	1,922,837
Transportation	3,996,578	4,237,782	4,116,907	4,331,156	4,482,616	4,379,697	4,467,112	4,692,120	4,748,110	4,775,878
Central Services	1,585,367	1,690,868	1,729,368	1,665,500	1,676,400	712,187	712,187	909,292	909,292	914,610
Food Services	265,133	265,133	265,133	276,334	276,334	276,334	134,197	282,133	422,673	425,145
<b>Totals</b>	<b>\$ 145,043,679</b>	<b>\$ 145,920,454</b>	<b>\$ 146,759,917</b>	<b>\$ 147,817,630</b>	<b>\$ 146,034,765</b>	<b>\$ 147,608,490</b>	<b>\$ 150,776,870</b>	<b>\$ 153,579,514</b>	<b>\$ 156,940,013</b>	<b>\$ 157,857,847</b>

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

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

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
<b>Administrators</b>										
General Fund	30.5	28.0	28.0	28.0	33.0	36.0	39.0	41.0	39.8	41.0
Food Service	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Kids Camp	1.0	0.0	0.0	0.0	0.0	1.0	1.0	1.0	1.0	1.0
	<u>32.5</u>	<u>29.0</u>	<u>29.0</u>	<u>29.0</u>	<u>34.0</u>	<u>38.0</u>	<u>41.0</u>	<u>43.0</u>	<u>41.8</u>	<u>43.0</u>
<b>Non-Teaching Professionals</b>										
General Fund	207.7	191.4	212.7	202.0	212.7	211.0	213.5	231.5	264.9	194.6
Insurance Reserve	1.0	1.0	1.0	0.5	1.0	0.5	0.0	0.0	0.0	0.0
Governmental Designated Grant						2.8	0.8	5.4	1.3	15.0
Food Service	22.0	21.0	22.4	22.9	22.4	22.6	24.0	18.1	21.0	23.2
Kids Camp	14.0	8.0	12.0	16.0	12.0	16.0	13.5	9.2	9.9	15.2
	<u>244.7</u>	<u>221.4</u>	<u>248.1</u>	<u>241.4</u>	<u>248.1</u>	<u>252.8</u>	<u>251.8</u>	<u>264.2</u>	<u>297.1</u>	<u>248.0</u>
<b>Teachers</b>										
General Fund	347.0	326.4	317.6	311.1	317.6	317.1	313.4	288.3	317.1	387.0
Governmental Designated Grant	15.5	15.5	11.6	11.2	11.6	13.7	12.9	9.8	3.7	16.0
	<u>362.5</u>	<u>341.9</u>	<u>329.2</u>	<u>322.3</u>	<u>329.2</u>	<u>330.7</u>	<u>326.4</u>	<u>298.1</u>	<u>320.8</u>	<u>403.0</u>
<b>Total - All Funds</b>										
General Fund	585.2	545.8	558.3	541.1	563.3	564.1	566.0	560.8	621.8	622.6
Food Service	23.0	22.0	23.4	23.9	23.4	23.6	25.0	19.1	22.0	24.2
Insurance Reserve	1.0	1.0	1.0	0.5	1.0	0.5	0.0	0.0	0.0	0.0
Governmental Designated Grant	15.5	15.5	11.6	11.2	11.6	16.4	13.7	15.2	5.0	31.0
Kids Camp	15.0	8.0	12.0	16.0	12.0	17.0	14.5	10.2	10.9	16.2
	<u>639.7</u>	<u>592.3</u>	<u>606.3</u>	<u>592.7</u>	<u>611.3</u>	<u>621.5</u>	<u>619.2</u>	<u>605.3</u>	<u>659.7</u>	<u>694.0</u>

74

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

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

	<b>Year Ending June 30, 2018</b>									
	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>
October 1 pupil count	4,858	4,699	4,688	4,559	4,590	4,670	4,564	4,697	5,053	4,999
October 1 count of benefits										
Students on free lunch	989	1,005	1,119	1,138	1,109	1,196	1,107	1,173	1,414	1,207
Student on reduced lunch	333	333	288	348	384	287	294	324	327	369
Percentage of students on:										
Free lunch	20.36%	21.39%	23.87%	24.96%	24.16%	25.61%	24.26%	24.97%	27.98%	24.15%
Reduced lunch	6.85%	7.09%	6.14%	7.63%	8.37%	6.15%	6.44%	6.90%	6.47%	7.38%
Total	27.21%	28.47%	30.01%	32.59%	32.53%	31.76%	30.70%	31.87%	34.45%	31.53%

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

DURANGO SCHOOL DISTRICT 9-R  
MISCELLANEOUS STATISTICAL DATA

June 30, 2018  
(Unaudited)

- Year of organization: 1956 - Geographical area: 1039 square miles - Accreditation: Colorado Department of Education <hr/> Number of Schools Elementary 8 Middle 2 High 2 <hr/> Totals <u>12</u>	<u>Enrollment and Funded Pupil Count</u> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">School Year</th> <th style="text-align: right;">Enrollment</th> <th style="text-align: right;">Funded Pupil Count</th> </tr> </thead> <tbody> <tr><td>2008-2009</td><td style="text-align: right;">4,858</td><td style="text-align: right;">4,574.7</td></tr> <tr><td>2009-2010</td><td style="text-align: right;">4,699</td><td style="text-align: right;">4,536.9</td></tr> <tr><td>2010-2011</td><td style="text-align: right;">4,688</td><td style="text-align: right;">4,496.7</td></tr> <tr><td>2011-2012</td><td style="text-align: right;">4,559</td><td style="text-align: right;">4,443.7</td></tr> <tr><td>2012-2013</td><td style="text-align: right;">4,653</td><td style="text-align: right;">4,395.5</td></tr> <tr><td>2013-2014</td><td style="text-align: right;">4,762</td><td style="text-align: right;">4,362.1</td></tr> <tr><td>2014-2015</td><td style="text-align: right;">4,723</td><td style="text-align: right;">4,353.9</td></tr> <tr><td>2015-2016</td><td style="text-align: right;">4,818</td><td style="text-align: right;">4,411.7</td></tr> <tr><td>2016-2017</td><td style="text-align: right;">5,183</td><td style="text-align: right;">4,812.5</td></tr> <tr><td>2017-2018</td><td style="text-align: right;">5,251</td><td style="text-align: right;">4,998.6</td></tr> </tbody> </table>	School Year	Enrollment	Funded Pupil Count	2008-2009	4,858	4,574.7	2009-2010	4,699	4,536.9	2010-2011	4,688	4,496.7	2011-2012	4,559	4,443.7	2012-2013	4,653	4,395.5	2013-2014	4,762	4,362.1	2014-2015	4,723	4,353.9	2015-2016	4,818	4,411.7	2016-2017	5,183	4,812.5	2017-2018	5,251	4,998.6
School Year	Enrollment	Funded Pupil Count																																
2008-2009	4,858	4,574.7																																
2009-2010	4,699	4,536.9																																
2010-2011	4,688	4,496.7																																
2011-2012	4,559	4,443.7																																
2012-2013	4,653	4,395.5																																
2013-2014	4,762	4,362.1																																
2014-2015	4,723	4,353.9																																
2015-2016	4,818	4,411.7																																
2016-2017	5,183	4,812.5																																
2017-2018	5,251	4,998.6																																

Summary of Teachers by Education Level

Education Level	Number of Teachers	Percentage of Total
Bachelor of Arts	47.00	11.66%
Bachelor of Arts + 15	12.00	2.98%
Bachelor of Arts + 30	6.00	1.49%
Bachelor of Arts + 45	63.00	15.63%
Master's Degree	119.00	29.53%
Master's Degree + 15	25.00	6.20%
Master's Degree + 30	30.00	7.44%
Master's Degree + 45	27.00	6.70%
Master's Degree + 60	74.00	18.36%
<b>Totals</b>	<b>403.00</b>	<b>100.00%</b>

Teacher/Student Ratio

School Year	Enrollment	Number of Teachers	Ratio
2008-2009	4,858	362	13.42
2009-2010	4,699	342	13.74
2010-2011	4,688	329	14.24
2011-2012	4,559	322	14.15
2012-2013	4,653	329	14.13
2013-2014	4,762	331	14.40
2014-2015	4,723	326	14.47
2015-2016	4,818	331	14.56
2016-2017	5,183	326	15.90
2017-2018	5,251	403	13.03

School Building Information

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

Note: \* information not available

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

***DURANGO SCHOOL DISTRICT 9-R***

***SINGLE AUDIT SECTION***

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
<b><i>Child Nutrition Cluster</i></b>			
United States Department of Agriculture			
School Breakfast Program	10.553	Colorado Department of Education,4553	\$ 214,630
National School Lunch Program	10.555	Colorado Department of Human Services, 4555	97,994
National School Lunch Program	10.555	Colorado Department of Education,4555	604,747
<i>Total United States Department of Agriculture</i>			917,371
<b><i>Total Child Nutrition Cluster</i></b>			917,371
<b><i>Special Education Cluster (IDEA)</i></b>			
Department of Education			
Special Education Grants to States	84.027	Colorado Department of Education,4027	784,822
Special Education Preschool Grants	84.173	Colorado Department of Education,4173	17,886
<i>Total Department of Education</i>			802,708
<b><i>Total Special Education Cluster (IDEA)</i></b>			802,708
<b><i>Forest Service Schools and Roads Cluster</i></b>			
United States Department of Agriculture			
Schools and Roads - Grants to States	10.665	Colorado Department of Treasury and La Plata County Treasurer,N/A	25,105
<i>Total United States Department of Agriculture</i>			25,105
<b><i>Total Forest Service Schools and Roads Cluster</i></b>			25,105
<b><i>Total All Clusters</i></b>			1,745,184
<b><i>Other Programs</i></b>			
Department of Education			
Title I Grants to Local Educational Agencies	84.010	Colorado Department of Education,4010/5010/7010	532,368
Total Title I Grants to Local Educational Agencies			532,368
Career and Technical Education -- Basic Grants to States	84.048	Colorado Community College System,4048	23,122
Total Career and Technical Education -- Basic Grants to States			23,122
Indian Education Grants to Local Educational Agencies	84.060	Colorado Department of Education,4060	36,611
Total Indian Education Grants to Local Educational Agencies			36,611
Charter Schools	84.282	Colorado Department of Education,5282	323,378
Total Charter Schools			323,378

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass-through Grantor and Number</i>	<i>Federal Expenditures(\$)</i>
Special Education - State Personnel Development	84.323	Colorado Department of Education,5323	14,473
Total Special Education - State Personnel Development			14,473
English Language Acquisition State Grants Total English Language Acquisition State Grants	84.365	Colorado Department of Education,4365	15,556
			15,556
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) Total Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	Colorado Department of Education,4367	103,686
			103,686
Race to the Top - Early Learning Challenge Total Race to the Top- Early Learning Challenge	84.412	Colorado Department of Education,5412	3,532
			3,532
Student Support and Academic Enrichment Program Total Student Support and Academic Enrichment Program	84.424	Colorado Department of Education,4424	11,770
			11,770
<i>Total Department of Education</i>			1,064,496
<b>Total Other Programs</b>			1,064,496
<b>Total Expenditures of Federal Awards</b>			\$ 2,809,680

**DURANGO SCHOOL DISTRICT 9-R**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2018**

**NOTE 1 BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Durango School District 9-R under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Durango School District 9-R, it is not intended to and does not present the financial position, changes in net position, or cash flows of Durango School District 9-R.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. The District did not elect to use the 10-percent de minimis indirect cost rate as allowed under Uniform Guidance for the year ended June 30, 2018. In addition, the District did not pass-through federal funds to subrecipients.

**NOTE 3 FOOD DISTRIBUTION**

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

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



Wall,  
Smith,  
Bateman Inc.

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Durango School District 9-R (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 12, 2018.

### **Internal Control Over Financial Reporting**

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

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

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

**Certified Public Accountants**

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

November 12, 2018

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



**Wall,  
Smith,  
Bateman Inc.**

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

**Report on Compliance for Each Major Federal Program**

We have audited Durango School District 9-R's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

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

***Auditors' Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, Durango School District 9-R complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Certified Public Accountants**

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

## Report on Internal Control over Compliance

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

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

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

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

*Wall, Smith, Bateman Inc.*

Wall, Smith, Bateman Inc.  
Alamosa, Colorado

November 12, 2018

**DURANGO SCHOOL DISTRICT 9-R**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2018**

**Section I – Summary of Auditors’ Results**

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.027 and 84.173	Special Education Cluster (IDEA)
84.282	Charter Schools

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

Auditee qualified as a low-risk auditee? \_\_\_\_\_ yes        X   no

**Section II – Financial Statement Findings**

None

**Section III – Federal Award Findings and Questioned Costs**

None

**DURANGO SCHOOL DISTRICT 9-R**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**Year Ended June 30, 2018**

**Section II – Financial Statement Findings**

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

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

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

*Status:* Implemented

***DURANGO SCHOOL DISTRICT 9-R***

***CDE COMPLIANCE SECTION***



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1520 - DURANGO 9-R  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	8,386,669	49,672,318	49,702,244	8,356,743
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>8,386,669</b>	<b>49,672,318</b>	<b>49,702,244</b>	<b>8,356,743</b>
11 Charter School Fund	-984	1,354,474	1,241,705	111,785
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	221,392	1,673,120	1,716,053	178,460
22 Govt Designated-Purpose Grants Fund	1	4,118,815	4,118,815	1
23 Pupil Activity Special Revenue Fund	3,278	1,228,067	1,229,211	2,135
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	10,486,382	7,761,337	7,519,238	10,728,482
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	1,507,368	1,435,209	2,681,626	260,951
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>20,604,107</b>	<b>67,243,341</b>	<b>68,208,891</b>	<b>19,638,557</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	2,420	309,811	307,486	4,745
64 (63) Risk-Related Activity Fund	2,566,421	29,221	1,561,835	1,033,807
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>2,568,841</b>	<b>339,032</b>	<b>1,869,321</b>	<b>1,038,552</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	375,610	502,234	537,783	340,061
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>375,610</b>	<b>502,234</b>	<b>537,783</b>	<b>340,061</b>

FINAL