

Idalia School District RJ-3
Idalia, Colorado

Financial Statements

For the Year ended June 30, 2016



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Independent Auditors' Report

Board of Education
Idalia School District RJ-3
Idalia, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Idalia School District RJ-3 (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 7, 2016

**IDALIA SCHOOL DISTRICT RJ-3
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

This section of Idalia School District RJ-3 annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2016.

Financial Highlights

- The assets of the Idalia School District RJ-3 exceeded its liabilities at the close of the most recent fiscal year by \$10,682,769 (net position).
- The district's total net position decreased by \$130,962.
- General revenues accounted for \$2,738,099 or 87% of the \$3,133,435 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$395,336 or 13% of revenues.
- The general fund ending fund balance reached \$1,641,902, an increase of \$350,588 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The basic financial statements consist of four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and, (4) required supplementary information. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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

The School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the general fund which is considered to be a major fund. Data for the other two governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements may be found on pages 19-43 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 46-68.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

86% of the School District's assets are investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position (liabilities) as of June 30, 2016.

	Governmental Activities		Total Percentage
	2016	2015	Change 2015-2016
Current and Other assets	\$ 2,391,316	\$ 2,016,272	18.60%
Capital assets	15,153,998	15,647,777	-3.16%
Total assets	17,545,314	17,664,049	-6.7%
Deferred outflows of resources	528,726	166,497	217.56%
Total assets and deferred outflows of resources	\$ 18,074,040	\$ 17,830,546	1.37%
Long term liabilities	\$ 7,188,285	\$ 6,839,866	5.09%
Other liabilities	242,648	237,425	2.20%
Total liabilities	7,430,933	7,077,291	5.00%
Deferred inflows of resources	91,300	70,486	29.53%
Net investment in capital assets	11,832,617	12,181,612	-2.86%
Restricted	463,997	406,359	14.18%
Unrestricted	(1,744,807)	(1,905,202)	-1.23%
Total net position	10,551,807	10,682,769	-4.1%
Total liabilities, deferred inflows of resources and net position	\$ 18,074,040	\$ 17,830,546	-1.37%

Following is a summary of the School District's change in net position.

Revenues	Governmental Activities		Total Percentage Change 2015-2016
	2016	2015	
Program Revenues			
Charges for services	\$ 51,424	\$ 53,335	-3.58%
Operating Grants & Contributions	343,912	240,220	43.17%
Capital Grants & Contributions	-	-	-
General Revenue			
Property taxes	816,002	736,671	10.77%
State equalization	1,843,515	1,694,299	8.81%
Other	78,582	73,171	7.40%
Capital contributions	-	2,000	N/A
Total Revenue	3,133,435	2,799,696	11.92%
Expenses			
Instruction	1,446,969	1,286,282	12.49%
Pupil & Instructional Services	75,825	71,987	5.33%
Administration & Business	322,126	290,833	10.76%
Maintenance & Operations	265,851	289,455	-8.15%
Transportation	223,718	201,743	10.89%
Other	929,908	899,822	3.34%
Total Expenses	3,264,397	3,040,122	7.38%
Change in net position	\$ (130,962)	\$ (240,426)	-45.53%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$12,052 per funded student. In fiscal year 2015-16 the funded pupil count was 191.8. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 69 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$736,681 in property taxes for fiscal year 2015-2016.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School District's governmental funds reported combined ending fund balances of \$2,155,947, an increase of \$371,732.

General Fund Budget Highlights

The District's budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

The difference between the original and final budgets in the year are as follows:

- The revenues increased due to an increase in other federal funding received from the original budget to the final budget.
- The expenses were decreased from a decrease in purchased services, supplies, and materials.

The differences that are found between the final budget and the actual expended amounts are as follows:

- \$2,126 decrease in the local income sources amounts. This decrease can be attributed to a few factors. First, a decrease of \$1,082 below the budgeted amount in property taxes. An increase in specific ownership taxes of \$3,034 above the budgeted amount. This was offset with a decrease in other local revenues.
- \$4,355 increase in the state sources amounts. This increase is due to a few factors. First, an increase in state equalization of \$8,390 above the budgeted amount and an increase in vocational education of \$11,601. A decrease in English Language Proficiency of \$3,617 below the budgeted amount. Safe Route to schools decreased \$6,049 below the budgeted amount. The services within the BOCES decreased \$8,409 below the budgeted amount and transportation increased \$2,437. This was offset with an increase in other state grants.
- \$23,917 increase in the federal source amounts.
- \$280,116 decrease in actual versus budgeted expenditures can be attributed to several factors both positive and negative. They are as follows:
 - \$13,919 decrease in salaries. This was due to staff member medical leave and personnel changes.
 - \$25,408 decrease in employee benefits. This was due to staff member medical leave and personnel changes.
 - \$110,888 decrease in other purchased services. One of the main variances of \$26,263 in general instructional services. An additional \$31,618 decrease in general administrative services. A \$10,201 decrease was for district insurance costs. A \$34,641 decrease in operations and maintenance. There was a decrease of \$8,165 in student transportation.
 - \$129,569 decrease in supplies. \$39,248 for operations and maintenance. A decrease of \$36,374 in transportation supplies. The remaining difference was distributed from other supply accounts.
 - \$1,680 increase in property.
 - \$2,012 decrease in other purchases.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$15,153,998 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District's total capital assets at June 30, 2016 net of accumulated depreciation were as follows

	Governmental Activities
Land	\$ -
Building Improvements	14,834,538
Equipment & Furniture	135,633
Vehicles	183,827
Total Capital Assets	<u>\$ 15,153,998</u>

Additional information on the School District's capital assets can be found in note E to the basic financial statements.

Long-Term Debt

At year-end, the School District's long-term debt of \$7,188,285 represented its compensated absences of \$33,148, Colorado Department of Education repayment of \$26,073, general obligation bonds of \$3,321,381 and net pension liability of \$3,807,683.

Economic Factors

Some uncertainty clouds the prospects for the School District for the next year.

- Although enrollment increased in FY15, the enrollment outlook for FY16 is uncertain due to our community size and location.
- Health and Property insurance premiums continue to rise at a rate that is higher than the percentage of funding increase.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact Idalia School District RJ-3, P.O. Box 40, Idalia, CO 80735 or 970-354-7298.

Basic Financial Statements

The basic financial statements of the District include the following:

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 1,304,344
Cash with fiscal agent	286,033
Investments	764,822
Receivables	31,630
Inventory	4,487
Capital assets, net of depreciation	<u>15,153,998</u>
 Total assets	 17,545,314
 Deferred outflows of resources	
Pension deferrals	<u>528,726</u>
 Total assets and deferred outflows of resources	 <u><u>\$ 18,074,040</u></u>
 Liabilities	
Accounts payable	\$ 11,496
Payroll deductions and withholdings	2,158
Accrued salaries and benefits	181,081
Accrued interest payable	11,399
Unearned revenue	36,514
Noncurrent liabilities	
Due within one year	176,820
Due in more than one year	<u>7,011,465</u>
 Total liabilities	 7,430,933
 Deferred inflows of resources	
Pension deferrals	91,300
 Net position	
Net investment in capital assets	11,832,617
Restricted for:	
Emergencies	80,000
Debt service	278,864
Colorado preschool program	62,188
Food service operations	6,485
BEST capital renewal reserve	36,460
Unrestricted (deficit)	<u>(1,744,807)</u>
 Total net position	 <u>10,551,807</u>
 Total liabilities, deferred inflows of resources and net position	 <u><u>\$ 18,074,040</u></u>

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

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IDALIA SCHOOL DISTRICT RJ-3
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 1,446,969	\$ 19,650	\$ 192,109	
Supporting services				
Students	19,268			
Instructional staff	56,557		3,500	
General administration	194,827			
School administration	54,042			
Business services	73,257			
Operations and maintenance	265,851			
Student transportation	223,718		62,147	
Central support services	59,022			
Other support services	709			
Food service operations	159,753	31,774	86,156	
Facilities acquisition	19,680			
Unallocated depreciation *	550,719			
Interest on long-term obligations	140,025			
Total governmental activities	\$ 3,264,397	\$ 51,424	\$ 343,912	\$ -

General revenues

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position at beginning of year

Net position at end of year

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

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

Net
Governmental
Activities

\$ (1,235,210)

(19,268)

(53,057)

(194,827)

(54,042)

(73,257)

(265,851)

(161,571)

(59,022)

(709)

(41,823)

(19,680)

(550,719)

(140,025)

(2,869,061)

736,681

78,093

1,228

1,843,515

6,828

71,754

2,738,099

(130,962)

10,682,769

\$ 10,551,807

IDALIA SCHOOL DISTRICT RJ-3
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 1,071,758		\$ 232,586	\$ 1,304,344
Cash with fiscal agent	17,170	\$ 268,863		286,033
Investments	764,822			764,822
Property taxes receivable	15,662	11,459		27,121
Grants receivable	1,765			1,765
Other receivables	2,744			2,744
Inventories			4,487	4,487
Total assets	\$ 1,873,921	\$ 280,322	\$ 237,073	\$ 2,391,316
Liabilities				
Accounts payable	\$ 11,496			\$ 11,496
Payroll withholding	2,158			2,158
Accrued salaries and benefits	181,081			181,081
Unearned revenue	34,622		\$ 1,892	36,514
Total liabilities	229,357	\$ -	1,892	231,249
Deferred inflows of resources				
Deferred property tax revenues	2,662	1,458		4,120
Total deferred inflows of resources	2,662	1,458	-	4,120
Fund balance				
Nonspendable inventories			4,487	4,487
Restricted for:				
Emergencies	80,000			80,000
Debt services		278,864		278,864
Colorado preschool program	62,188			62,188
Food service operations			6,485	6,485
BEST capital renewal reserve			36,460	36,460
Committed for capital projects			187,749	187,749
Unassigned	1,499,714			1,499,714
Total fund balance	1,641,902	278,864	235,181	2,155,947
Total liabilities, deferred inflows of resources and fund balance	\$ 1,873,921	\$ 280,322	\$ 237,073	\$ 2,391,316

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

IDALIA SCHOOL DISTRICT RJ-3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2016

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

Total fund balance - governmental funds	\$ 2,155,947
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	15,153,998
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	4,120
Accrued interest on long-term debt is not due and payable in the current period and therefore is not reported as a liability in the funds.	(11,399)
Long-term liabilities and related deferred outflows and inflows of resources, including payments to the Colorado Department of Education, bonds payable, accrued compensated absences and net pension liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(6,750,859)</u>
Net position of the governmental activities	<u><u>\$ 10,551,807</u></u>

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

IDALIA SCHOOL DISTRICT RJ-3
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Bond Redemption Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Local sources	\$ 597,968	\$ 313,570	\$ 33,846	\$ 945,384
Intermediate sources	3,032			3,032
State sources	2,040,431		3,406	2,043,837
Federal sources	60,840		82,750	143,590
Total revenues	2,702,271	313,570	120,002	3,135,843
Expenditures				
Instruction	1,353,185			1,353,185
Supporting services	915,146		141,291	1,056,437
Capital outlay			69,183	69,183
Debt service				
Principal retirement		144,784		144,784
Interest and fiscal charges		140,522		140,522
Total expenditures	2,268,331	285,306	210,474	2,764,111
Excess of revenues over (under) expenditures	433,940	28,264	(90,472)	371,732
Other financing sources (uses)				
Transfers in			83,352	83,352
Transfers out	(83,352)			(83,352)
Total other financing sources (uses)	(83,352)	-	83,352	-
Excess of revenues over (under) expenditures and other financing sources (uses)	350,588	28,264	(7,120)	371,732
Fund balance at beginning of year	1,291,314	250,600	242,301	1,784,215
Fund balance at end of year	<u>\$ 1,641,902</u>	<u>\$ 278,864</u>	<u>\$ 235,181</u>	<u>\$ 2,155,947</u>

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

IDALIA SCHOOL DISTRICT RJ-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - governmental funds	\$ 371,732
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlay in the current period.	(493,779)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	(2,408)
In the statement of activities, certain expenses related to the pension liabilities and related deferred outflows and inflows, compensated absences, accrued interest payable - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(151,291)
Repayment of principal on general obligation bonds are expenditures in the governmental funds, but the repayment reduces the long-term debt liability in the statement of net position.	<u>144,784</u>
Change in net position of governmental activities	<u>\$ (130,962)</u>

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

IDALIA SCHOOL DISTRICT RJ-3
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Funds</u>
Assets	
Cash	\$ 85,674
Total assets	<u>\$ 85,674</u>
Liabilities	
Due to student groups	<u>\$ 85,674</u>
Total liabilities	<u>\$ 85,674</u>

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Idalia School District RJ-3's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

The Idalia School District RJ-3 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

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

A.2 – Fund accounting

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Capital Reserve Capital Projects Fund – This fund is a capital projects fund used to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

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

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

Note A.3 – Basis of presentation

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.4 – Basis of accounting

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

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

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.5 – Encumbrances

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

A.6 – Short-term interfund receivables/payables

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

A.7 – Inventories

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.8 – Capital assets

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

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

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

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	7-15 years

A.9 – Compensated absences

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

Certain personnel and full-time employees receive up to six days of sick leave each year, which can be accumulated up to fifty days maximum. Any days accumulated over fifty days will be paid back to the employee at the end of the fiscal year. Upon leaving employment with the District, instructional/administrative staff shall be paid for the accumulated days at the professional license rate.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

A.10 – Accrued liabilities and long-term obligations

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

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

A.11 – Fund balance

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

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

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

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

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

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

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

A.12 – Net position

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13 – Interfund transactions

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

A.14 – Extraordinary and special items

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

Note B – Cash and investments

Cash and deposits

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

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$2,171,820, of which \$500,000 was insured and \$1,671,820 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note B – Cash and investments (Continued)

Investments

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

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

At year-end, the District had only investments in certificates of deposit.

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

Cash in bank	\$ 1,390,018
Cash with fiscal agent	286,033
Certificates of deposit	<u>764,822</u>
Total	<u>\$ 2,440,873</u>
<u>Statement of net position</u>	
Cash	\$ 1,304,344
Cash with fiscal agent	286,033
Investments in certificates of deposit	<u>764,822</u>
Subtotal	2,355,199
<u>Statement of fiduciary net position</u>	
Cash	<u>85,674</u>
Total	<u>\$ 2,440,873</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 27,121
Grants receivable	1,765
Other receivables	<u>2,744</u>
Total	<u>\$ 31,630</u>

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

Note D – Interfund transactions

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

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General Fund	\$ -	\$ 83,352
Other governmental funds	<u>83,352</u>	<u>-</u>
Total	<u>\$ 83,352</u>	<u>\$ 83,352</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$23,352 from the General Fund to the Food Service Fund to subsidize the costs of maintaining the District's food service operations. The District also transferred \$60,000 from the General Fund to Capital Reserve Capital Projects Fund to set aside funds for capital acquisitions.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 17,537,485	\$ 33,986	\$ -	\$ 17,571,471
Furniture and equipment	222,510	13,183	-	235,693
Licensed vehicles	<u>567,014</u>	<u>57,235</u>	<u>(49,640)</u>	<u>574,609</u>
 Total capital assets, being depreciated	 <u>18,327,009</u>	 <u>104,404</u>	 <u>(49,640)</u>	 <u>18,381,773</u>
 Total capital assets	 18,327,009	 104,404	 (49,640)	 18,381,773
Less accumulated depreciation for:				
Buildings and improvements	(2,186,214)	(550,719)	-	(2,736,933)
Furniture and equipment	(80,430)	(19,630)	-	(100,060)
Licensed vehicles	<u>(412,588)</u>	<u>(27,834)</u>	<u>49,640</u>	<u>(390,782)</u>
 Total accumulated depreciation	 <u>(2,679,232)</u>	 <u>(598,183)</u>	 <u>49,640</u>	 <u>(3,227,775)</u>
 Governmental activities capital assets, net	 <u>\$ 15,647,777</u>	 <u>\$ (493,779)</u>	 <u>\$ -</u>	 <u>\$ 15,153,998</u>

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

Governmental activities	
Instruction	\$ 1,164
Operations and maintenance	3,966
Student transportation	27,834
Other support services	709
Food service operations	13,791
Unallocated	<u>550,719</u>
 Total depreciation expense	 <u>\$ 598,183</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$181,081. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

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

	<u>Beginning</u> <u>Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balances</u>	<u>Due within</u> <u>one year</u>
Governmental activities					
Compensated absences	\$ 27,983	\$ 5,165	\$ -	\$ 33,148	\$ -
CDE repayment	26,073	-	-	26,073	26,073
General obligation Bonds	3,466,165	-	(144,784)	3,321,381	150,747
Net pension liability	<u>3,319,645</u>	<u>488,038</u>	<u>-</u>	<u>3,807,683</u>	<u>-</u>
Total	<u>\$ 6,839,866</u>	<u>\$ 493,203</u>	<u>\$ (144,784)</u>	<u>\$ 7,188,285</u>	<u>\$ 176,820</u>

Payments on the compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the net pension liability and the amount payable to the Colorado Department of Education related to an audit through fiscal year 2011. Payments on the bonds payable are made in the Bond Redemption Fund.

Bonds Payable

\$3,870,029 general obligation bonds, dated December 8, 2011, due in annual installments beginning in fiscal year 2013 ranging from \$131,250 to \$276,164; fixed annual interest rate of 4.12% payable semi-annually on June 1st and December 1st.

Total general obligation bonds \$ 3,321,381

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note G – Long-term debt (Continued)

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 150,747	\$ 133,687	\$ 284,434
2018	156,956	127,350	284,306
2019	163,420	120,753	284,173
2020	170,150	113,884	284,034
2021	177,158	106,732	283,890
2022-2026	1,001,433	415,636	1,417,069
2027-2031	1,225,353	187,105	1,412,458
2032	<u>276,164</u>	<u>5,686</u>	<u>281,850</u>
Totals	<u>\$ 3,321,381</u>	<u>\$ 1,210,833</u>	<u>\$ 4,532,214</u>

Colorado Department of Education repayments

On June 14, 2012 the District received the results of an audit for fiscal years 2007 through 2011, which resulted in an amount due and payable to the Colorado Department of Education of \$26,073. In accordance with Colorado Revised Statutes 22-2-113(II)(A)&(B), audits that begin on or after July 1, 2007 shall not recover an interest fee for the period that is equal to the number of years and any fraction of a year between the settlement date of the current audit and the settlement date of the proceeding audit. The District intends to make payment in satisfaction of the audit in fiscal year 2017 as allowed by the statute.

Note H – Defined benefit pension plan

Summary of significant accounting policies

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

General information about the pension plan

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

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

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

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	For the Year Ended December 31, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>17.33%</u></u>	<u><u>18.13%</u></u>

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 \$217,291 for the year ended.

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

At year-end, the District reported a liability of \$3,807,683 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was 0.0249 percent, which was a decrease of 0.0004 percent from its proportion measured as of December 31, 2014.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$363,914. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 50,281	\$ 159
Changes of assumptions or other inputs	-	53,809
Net difference between projected and actual earnings on pension plan investments	323,760	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	38,695	37,332
Contributions subsequent to the measurement date	<u>115,990</u>	<u>-</u>
Total	<u>\$ 528,726</u>	<u>\$ 91,300</u>

\$115,990 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, _____</u>	<u>Amount</u>
2017	\$ 77,058
2018	83,674
2019	94,315
2020	<u>66,389</u>
Totals	<u>\$ 321,436</u>

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the annual increase reserve

Mortality rates were based on the RP-2000 combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back 1 year, and females set back 2 years.

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the November 15, 2013 adoption of the long-term expected real rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	26.76%	5.00%
U.S. equity – small cap	4.40%	5.19%
Non U.S. equity – developed	22.06%	5.29%
Non U.S. equity – emerging	6.24%	6.76%
Core fixed income	24.05%	0.98%
High yield	1.53%	2.64%
Long duration government credit	0.53%	1.57%
Emerging market bonds	0.43%	3.04%
Real estate	7.00%	5.09%
Private equity	7.00%	7.15%
 Total	 <u>100.00%</u>	

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

- Total covered payroll for the initial projects 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 3.90%.
- 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, including current and estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior 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 7.50 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 (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ <u>4,935,870</u>	\$ <u>3,807,683</u>	\$ <u>2,869,242</u>

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

Payables to the pension plan

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

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note I – Defined contribution pension plan

Voluntary Investment Program

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

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended, program members contributed \$10,551 for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

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

Funding policy. The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$11,809, \$10,489 and \$10,514, respectively, equal to their required contributions for each year.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note K – Risk management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$38,647. The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

Note L – Commitments and contingencies

Federal and state funding

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

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$80,000 for the emergency reserve.

IDALIA SCHOOL DISTRICT RJ-3
Notes to Financial Statements

Note M – Joint venture

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

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

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

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

For the year, the District's contribution was \$51,763.

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Required Supplementary Information

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

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

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 500,177	\$ 599,910	\$ 597,968	\$ (1,942)
Intermediate sources	2,000	3,216	3,032	(184)
State sources	1,890,531	2,036,076	2,040,431	4,355
Federal sources	26,446	36,923	60,840	23,917
Total revenues	2,419,154	2,676,125	2,702,271	26,146
Expenditures				
Instruction	1,387,657	1,468,679	1,353,185	115,494
Supporting services	985,203	1,079,768	915,146	164,622
Total expenditures	2,372,860	2,548,447	2,268,331	280,116
Excess of revenues over (under) expenditures	46,294	127,678	433,940	306,262
Other financing uses				
Transfers out	(46,294)	(127,678)	(83,352)	44,326
Total other financing uses	(46,294)	(127,678)	(83,352)	44,326
Excess of revenues over expenditures and other financing uses	\$ -	\$ -	350,588	\$ 350,588
Fund balance at beginning of year			1,291,314	
Fund balance at end of year			\$ 1,641,902	

IDALIA SCHOOL DISTRICT RJ-3
Schedule of the District's Proportionate Share of the Net Pension Liability ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0248961019%	0.0244931533%
District's proportionate share of the net pension liability	\$ 3,807,683	\$ 3,319,645
District's covered-employee payroll	\$ 1,157,741	\$ 1,028,348
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	328.89%	322.81%
Plan fiduciary net position as a percentage of the total pension liab:	59.20%	62.84%

¹ Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

IDALIA SCHOOL DISTRICT RJ-3
Schedule of District Contributions ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 217,291	\$ 184,243
Contributions in relation to the contractually required contribution	<u>(217,291)</u>	<u>(184,243)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,157,741	\$ 1,028,348
Contributions as a percentage of covered-employee payroll	18.77%	17.92%

¹ Information is not available prior to the current year. In future reports, additional years will be added until 10 years of historical data are presented.

IDALIA SCHOOL DISTRICT RJ-3
Notes to the Required Supplementary Information

Note A – Budgetary data

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

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

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

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

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Other Supplementary Information

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

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Budgetary Comparison Schedules - General Fund

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

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 367,777	\$ 425,610	\$ 424,528	\$ (1,082)
Specific ownership taxes	60,000	75,000	78,034	3,034
Delinquent taxes and interest			666	666
Earnings on investments	5,000	6,200	6,423	223
Other local revenue	67,400	93,100	88,317	(4,783)
Total local sources	500,177	599,910	597,968	(1,942)
Intermediate sources	2,000	3,216	3,032	(184)
State sources				
Equalization	1,784,955	1,835,125	1,843,515	8,390
Vocational education	25,000	25,000	36,601	11,601
ELPA professional development		6,548	1,715	(4,833)
English language proficiency		4,399	5,615	1,216
Transportation	59,000	59,710	62,147	2,437
READ Act		3,623	3,624	1
State grants to libraries		3,500	3,500	-
Small rural schools funding		50,338	50,338	-
Additional at-risk funding		1,208	1,209	1
Safe routes to school		19,760	13,711	(6,049)
Services within the BOCES	21,576	26,865	18,456	(8,409)
Total state sources	1,890,531	2,036,076	2,040,431	4,355
Federal sources				
REAP	16,000	17,200	20,478	3,278
Race to the top		152	152	-
Services within the BOCES	10,446	19,571	40,210	20,639
Total federal sources	26,446	36,923	60,840	23,917
Total revenues	\$ 2,419,154	\$ 2,676,125	\$ 2,702,271	\$ 26,146

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IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 872,990	\$ 883,438	\$ 864,603	\$ 18,835
Employee benefits	336,548	326,518	303,692	22,826
Purchased services	71,000	80,273	55,447	24,826
Supplies and materials	100,619	164,165	116,573	47,592
Property		7,285	7,285	-
Other	6,500	7,000	5,585	1,415
Total instruction	1,387,657	1,468,679	1,353,185	115,494
Supporting services				
Students				
Salaries	14,020	14,020	14,020	-
Employee benefits	2,833	2,833	2,653	180
Purchased services	1,000	1,245	545	700
Supplies and materials	1,400	1,400	418	982
Total students	19,253	19,498	17,636	1,862
Instructional staff				
Purchased services	49,700	52,500	51,763	737
Supplies and materials	5,130	5,803	4,794	1,009
Total instructional staff	54,830	58,303	56,557	1,746
General administration				
Salaries	87,000	87,000	85,360	1,640
Employee benefits	33,721	33,721	33,501	220
Purchased services	68,600	73,760	42,336	31,424
Supplies and material	16,000	16,000	13,105	2,895
Other	13,800	13,800	10,589	3,211
Total general administration	219,121	224,281	184,891	39,390

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	35,750	35,750	35,908	(158)
Employee benefits	14,362	14,362	13,954	408
Total school administration	50,112	50,112	49,862	250
Business services				
Salaries	40,000	40,000	39,792	208
Employee benefits	15,218	15,218	14,682	536
Purchased services	9,000	9,000	8,806	194
Supplies and materials	3,500	3,500	2,031	1,469
Other			3,314	(3,314)
Total business services	67,718	67,718	68,625	(907)
Operations and maintenance				
Salaries	91,500	91,500	98,504	(7,004)
Employee benefits	34,721	34,721	34,612	109
Purchased services	56,731	56,731	22,090	34,641
Supplies and materials	121,500	156,500	117,252	39,248
Property	1,000	1,000		1,000
Total operations and maintenance	305,452	340,452	272,458	67,994
Student transportation				
Salaries	64,750	81,750	81,352	398
Employee benefits	15,844	20,031	18,902	1,129
Purchased services	36,200	45,700	37,535	8,165
Supplies and materials	80,000	85,000	48,626	36,374
Total student transportation	196,794	232,481	186,415	46,066

(continued)

IDALIA SCHOOL DISTRICT RJ-3
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	<u>69,223</u>	<u>69,223</u>	<u>59,022</u>	<u>10,201</u>
Total central support services	69,223	69,223	59,022	10,201
Facilities acquisition				
Property	<u>2,000</u>	<u>17,000</u>	<u>19,680</u>	<u>(2,680)</u>
Total facilities acquisition	2,000	17,000	19,680	(2,680)
Other uses				
Other	<u>700</u>	<u>700</u>	<u>-</u>	<u>700</u>
Total other uses	700	700	-	700
Total supporting services	<u>985,203</u>	<u>1,079,768</u>	<u>915,146</u>	<u>164,622</u>
Total expenditures	<u>\$ 2,372,860</u>	<u>\$ 2,548,447</u>	<u>\$ 2,268,331</u>	<u>\$ 280,116</u>

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

The District reports the following nonmajor governmental funds:

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

- Food Service Fund – This fund is used to record financial transactions related to the District’s food service operations.

Capital Projects Fund – These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

- Capital Reserve Capital Projects Fund – This fund was established to account for and report financial resources that have been designated for capital outlays acquisition or construction of major capital facilities and other capital assets.

IDALIA SCHOOL DISTRICT RJ-3
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Food Service	Capital Reserve Capital Projects	Totals
Assets			
Cash	\$ 8,377	\$ 224,209	\$ 232,586
Inventories	4,487		4,487
Total assets	\$ 12,864	\$ 224,209	\$ 237,073
Liabilities			
Unearned revenue	\$ 1,892		\$ 1,892
Total liabilities	1,892	\$ -	1,892
Fund balance			
Nonspendable inventories	4,487		4,487
Restricted for:			
Food service operations	6,485		6,485
BEST capital renewal reserve		36,460	36,460
Committed to capital projects		187,749	187,749
Total fund balance	10,972	224,209	235,181
Total liabilities and fund balance	\$ 12,864	\$ 224,209	\$ 237,073

IDALIA SCHOOL DISTRICT RJ-3
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Food Service	Capital Reserve Capital Projects	Totals
Revenues			
Local sources	\$ 33,566	\$ 280	\$ 33,846
State sources	3,406		3,406
Federal sources	82,750		82,750
Total revenues	119,722	280	120,002
Expenditures			
Supporting services	141,291		141,291
Capital outlay		69,183	69,183
Total expenditures	141,291	69,183	210,474
Excess of revenues over (under) expenditures	(21,569)	(68,903)	(90,472)
Other financing sources			
Transfers in	23,352	60,000	83,352
Excess of revenues and other financing sources over (under) expenditures	1,783	(8,903)	(7,120)
Fund balance at beginning of year	9,189	233,112	242,301
Fund balance at end of year	\$ 10,972	\$ 224,209	\$ 235,181

IDALIA SCHOOL DISTRICT RJ-3
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 30,300	\$ 30,300	\$ 33,566	\$ 3,266
State sources	2,050	2,050	3,406	1,356
Federal sources	72,000	72,000	82,750	10,750
Total revenues	104,350	104,350	119,722	15,372
Expenditures				
Salaries and benefits	60,556	60,556	61,341	(785)
Purchased services	1,500	1,500	895	605
Supplies and materials	80,000	85,500	79,055	6,445
Property	1,000	1,000		1,000
Total expenditures	143,056	148,556	141,291	7,265
Excess of revenues over (under) expenditures	(38,706)	(44,206)	(21,569)	22,637
Other financing sources				
Transfers in	38,706	44,206	23,352	(20,854)
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	1,783	\$ 1,783
Fund balance at beginning of year			9,189	
Fund balance at end of year			\$ 10,972	

IDALIA SCHOOL DISTRICT RJ-3
Capital Reserve Capital Projects Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Earnings on investments	\$ 250	\$ 250	\$ 280	\$ 30
Other local revenues	49,150	19,150		(19,150)
Total revenues	49,400	19,400	280	(19,120)
Expenditures				
Capital outlay				
Property	92,250	98,460	69,183	29,277
Total expenditures	92,250	98,460	69,183	29,277
Excess of revenues over (under) expenditures	(42,850)	(79,060)	(68,903)	10,157
Other financing sources				
Transfers in	42,850	79,060	60,000	(19,060)
Excess of revenues and other financing sources over expenditures	\$ -	\$ -	(8,903)	\$ (8,903)
Fund balance at beginning of year			233,112	
Fund balance at end of year			\$ 224,209	

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Budgetary Comparison Schedules – Debt Service Fund

The District reports the following major debt service fund:

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

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

IDALIA SCHOOL DISTRICT RJ-3
Bond Redemption Fund
Budgetary Comparison Schedule
5 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 299,550	\$ 299,550	\$ 312,852	\$ 13,302
Specific ownership taxes	200	200	59	(141)
Delinquent taxes and interest			562	562
Earnings on investments	250	250	97	(153)
Total revenues	300,000	300,000	313,570	13,570
Expenditures				
Debt service				
Principal retirement	139,057	139,057	144,784	(5,727)
Interest and fiscal charges	160,943	160,943	140,522	20,421
Total expenditures	300,000	300,000	285,306	14,694
Excess of revenues over expenditures	\$ -	\$ -	28,264	\$ 28,264
Fund balance at beginning of year			250,600	
Fund balance at end of year			\$ 278,864	

Budgetary Comparison Schedule - Fiduciary Fund

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

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

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

IDALIA SCHOOL DISTRICT RJ-3
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 160,000	\$ 160,000	\$ 134,567	\$ (25,433)
Total additions	160,000	160,000	134,567	(25,433)
Deductions				
Pupil activity expenditures	160,000	160,000	132,267	27,733
Total deductions	160,000	160,000	132,267	27,733
Excess of additions over deductions	\$ -	\$ -	2,300	\$ 2,300
Due to student groups at beginning of year			83,374	
Due to student groups at end of year			\$ 85,674	

**Colorado Department of Education
Supplementary Schedule**

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

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Idalia School District RJ-3
Idalia, Colorado

We have audited the financial statements of the Idalia School District RJ-3 (the District) as of and for the year ended June 30, 2016, and our report thereon dated October 7, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
October 7, 2016

Colorado Department of Education
Auditors Integrity Report
 District: 3220 - IDALIA R1-3
 Fiscal Year 2015-16
 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	\$700-6799 & Prior Per Adj (6880)* Ending Fund Balance
Governmental				
10 General Fund	1,841,902	2,463,518	2,258,335	1,841,902
18 Risk Mgmt Multi-fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub-Total	1,841,902	2,463,518	2,258,335	1,841,902
11 Charter School Fund	0	0	0	0
20.20-29 Special Revenue Fund	9	0	0	0
21 Feed Service State Revenue Fund	9,109	143,074	141,291	10,972
22 Gift Designated Purpose Grants Fund	0	0	0	0
23 Legal Activity Special Revenue Fund	0	0	0	0
34 Full Day Kindergarten Multi-Use Override	0	0	0	0
35 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	250,600	313,570	284,300	278,864
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	223,112	60,280	69,181	224,209
Table	1,984,315	3,136,442	2,761,116	2,158,246
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0
Table	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Joint Activity Agency Fund	83,374	134,567	132,367	85,674
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Table	83,374	134,567	132,367	85,674
FINAL				

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.