

***Logan County School District  
No. Re-1 Valley  
Sterling, Colorado***

**Financial Statements**

**For the Year ended June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 9:37 am, Nov 22, 2016*

## Table of Contents

	<u>Page</u>
Independent Auditors' Report	1-3
Management's Discussion and Analysis	4-9
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	12-13
Statement of Activities	14-15
Fund Financial Statements	
Balance Sheet – Governmental Funds	16-17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net position	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Governmental Funds	20-21
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Fiduciary Net position – Fiduciary Funds	23
Statement of Changes in Fiduciary Net position – Fiduciary Funds	24
Notes to Financial Statements	25-51
Required Supplementary Information	
General Fund – Budgetary Comparison Schedule	54
Governmental Designated Purpose Grants Fund – Budgetary Comparison Schedule	55
Schedule of the District's Proportionate Share of the Net Pension Liability	56
Schedule of District Contributions	57
Notes to the Required Supplementary Information	58

## Table of Contents

	<u>Page</u>
Other Supplementary Information	
General Fund	
Schedule of Revenues – Budget and Actual	62
Schedule of Expenditures – Budget and Actual	64-66
Combining Statements and Budgetary Comparison Schedules – Nonmajor Governmental Funds	
Combining Balance Sheet	68-69
Combining Statement of Revenues, Expenditures and Changes in Fund Balance	70-71
Budgetary Comparison Schedule – Food Service Fund	72
Budgetary Comparison Schedule – Campbell Library Fund	73
Budgetary Comparison Schedule – Walsh Family Foundation Fund	74
Budgetary Comparison Schedule – After Day School Fund	75
Budgetary Comparison Schedule – Building Fund	76
Budgetary Comparison Schedule – Capital Reserve Capital Projects Fund	77
Debt Service Fund	
Budgetary Comparison Schedule – Bond Redemption Fund	80
Fiduciary Fund Types	
Budgetary Comparison Schedule – Pupil Activity Agency Fund	82
Budgetary Comparison Schedule – Melendy Scholarship Trust Fund	83

## Table of Contents

	<u>Page</u>
Single Audit Section	
Schedule of Expenditures of Federal Awards	86
Notes to Schedule of Expenditures of Federal Awards	87
Independent Auditors Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	89-90
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	91-92
Schedule of Findings and Questioned Costs	93
Colorado Department of Education Supplementary Schedule	
Independent Auditors' Report on Auditors' Integrity Report	97
Auditors' Integrity Report	98



## **Independent Auditors' Report**

Board of Education  
Logan County School District No. Re-1 Valley  
Sterling, 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 the Logan County School District No. Re-1 Valley (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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Sterling, Colorado  
November 3, 2016

**Logan County School District NO. RE-1 Valley**  
**Management Discussion and Analysis**  
**For Fiscal Year Ended June 30, 2016**

This section of School District RE-1 Valley's annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2016

**Financial Highlights**

- The liabilities and deferred inflows of resources of School District Re-1 Valley exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$15,977,521) (net position).
- The district's total net position decreased by (\$2,230,768).
- General revenues accounted for \$18,715,615 or 82% of the \$22,689,492 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$3,973,877 or 18% of total revenues of \$22,689,492.
- The general fund ending fund balance reached \$2,217,695.

**Overview of Financial Statements**

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. 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 assets 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 events 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). In the government-wide financial statements, the School District's activities are listed in one category.

- **Governmental activities:** 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 nine 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, the governmental designated purpose grants fund and the bond redemption fund which are considered to be major funds. Data for the other six governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these non-major 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 16-22 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 23 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 25-51 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, schedule of District contributions and schedule of the District's proportionate share of the net pension liability. Budgeted amounts may be found on pages 53-83.

### 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.

80% of the School District's assets are its net investment in capital assets (e.g., land, buildings and equipment, net of accumulated depreciation). 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 assets (liabilities) as of June 30, 2016.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Change</u>
	2016	2015	2016	2015	2016	2015	<u>2015-2016</u>
Current and other assets	8,843,851	9,839,491	-	36,673	8,843,851	9,876,164	11.7%
Capital assets	36,227,396	37,047,254	-	-	36,227,396	37,047,254	2.3%
Total assets	45,071,247	46,886,745	-	36,673	45,071,247	46,923,418	4.1%
Contrib/Projected earnings on Pension	5,200,192	1,781,028	-	6,858	5,200,192	1,787,886	-65.6%
Deferred outflows of resources	698,062	763,432	-	4,794	698,062	768,226	10.1%
Total Deferred Outflows of resources	5,898,254	2,544,460	-	11,652	5,898,254	2,556,112	-56.7%
Long term liabilities	62,264,598	59,716,824	-	231,632	62,264,598	59,948,456	-3.7%
Other liabilities	3,965,486	2,998,975	-	4,481	3,965,486	3,003,456	-24.3%
Total liabilities	66,230,084	62,715,799	-	236,113	66,230,084	62,951,912	-4.9%
Deferred Inflows of resources	716,938	272,587	-	1,784	716,938	274,371	-61.7%
Total Deferred Inflows of resources	716,938	272,587	-	1,784	716,938	274,371	-61.7%
Net position:							
Invested in capital assets, net of related debt	14,059,720	13,714,616	-	-	14,059,720	13,714,616	-2.5%
Restricted	3,359,831	3,152,721	-	-	3,359,831	3,152,721	-6.2%
Unrestricted	(33,397,072)	(30,424,518)	(189,572)	(189,572)	(33,586,644)	(30,614,090)	-8.9%
Total net position	(15,977,521)	(13,557,181)	(189,572)	(189,572)	(16,167,093)	(13,746,753)	-15.0%

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

	Governmental Activities		Business-type Activities		Total		Total Percent Change
	2016	2015	2016	2015	2016	2015	2015-2016
<b>Revenues</b>							
Program revenues							
Charges for services	455,569	332,461	0	109,477	455,569	441,938	-3.0%
Operating Grants & Contributions	3,518,308	3,368,529	0	0	3,518,308	3,368,529	-4.3%
Capital Grants & Contributions	0	0		0	0	0	
General Revenues							
Property taxes	8,397,042	7,836,702		0	8,397,042	7,836,702	-6.7%
State equalization	9,415,609	9,427,739		0	9,415,609	9,427,739	0.1%
Other	902,964	136,631	0	6	902,964	136,637	-84.9%
<b>Total Revenue</b>	<b>22,689,492</b>	<b>21,102,062</b>	<b>0</b>	<b>109,483</b>	<b>22,689,492</b>	<b>21,211,545</b>	<b>-6.5%</b>
<b>Expenses</b>							
Instruction	13,799,190	13,023,705			13,799,190	13,023,705	-5.6%
Pupil & Instructional Services	1,988,281	2,072,456			1,988,281	2,072,456	4.2%
Administration & Business	2,412,315	2,237,497			2,412,315	2,237,497	-7.2%
Maintenance & Operations	2,458,260	2,471,378			2,458,260	2,471,378	0.5%
Transportation	832,501	807,472			832,501	807,472	-3.0%
Other	3,429,713	2,884,747	0	109,890	3,429,713	2,994,637	-12.7%
<b>Total Expenses</b>	<b>24,920,260</b>	<b>23,497,255</b>	<b>0</b>	<b>109,890</b>	<b>24,920,260</b>	<b>23,607,145</b>	<b>-5.3%</b>
Decrease in net position	-2,230,768	-2,395,193	0	-407	-2,230,768	-2,395,600	7.4%

### 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 \$7,037.81 per funded student. In fiscal year 2015-16 the funded pupil count was 2,153.0. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 55 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 \$8,397,042 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, unreserved 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 \$5,759,527 a decrease of \$765,391 in comparison with the prior year. The general fund had a fund balance decrease of (\$724,066), the bond fund increased by \$228,222 while other governmental funds had a fund balance decrease of (\$269,547).

### 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 district Board of Education approved a review/change for any anticipated expenditures exceeding the original FY2016 budget in January 2016.

## Capital Assets and Debt Administration

### Capital Assets

The School District's net investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$36,227,396 (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.

Capital asset additions during the current fiscal year include the following:

- Land improvements \$0
- Construction in progress \$881,353
- Buildings and improvements \$2,572,911
- Furniture and equipment \$94,083
- Licensed Vehicles \$73,350

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

	Governmental Activities		Business-type Activities		Total		Percent Change 2015-2016
	2016	2015	2016	2015	2016	2015	
Land	1,183,977	1,269,089			1,183,977	1,269,089	7.2%
Building Improvements	33,432,186	32,632,167			33,432,186	32,632,167	-2.4%
Construction in progress	881,353	2,395,495			881,353	2,395,495	171.8%
Equipment & Furniture	461,176	461,539		46,923	461,176	508,462	10.3%
Vehicles	268,704	288,964			268,704	288,964	7.5%
<b>Total Capital Assets</b>	<b>36,227,396</b>	<b>37,047,254</b>		<b>46,923</b>	<b>36,227,396</b>	<b>37,094,177</b>	<b>2.4%</b>

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 \$63,449,598 consisted of the following:

	Governmental Activities		Percent Change 2015-2016
	2016	2015	
Compensated Absences	198,317	197,168	0.6%
Net Pension Liability	40,385,542	35,635,713	11.8%
Certificate of Participation	5,035,000	5,235,000	-4.0%
General Obligation Bonds	16,834,990	17,779,990	-5.6%
Bond Premium	995,749	1,100,585	-10.5%
<b>Total</b>	<b>63,449,598</b>	<b>59,948,456</b>	<b>5.5%</b>

At year-end, the School District reported a liability of \$40,385,542 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 the December 31, 2014. At December 31, 2015 the District's proportion was .2641%. For the year, the District recognized pension expense of \$3,961,808.

There are note disclosures and required supplementary information required by GASB Statement No. 68 found in note H.

### **Economic Factors**

Due to state budget constraints, funding from the state continues to fall below the formula from the 1994 School Finance Act and the required increases to keep up with inflation described in Amendment 23, passed by voters in 2000. From 2011 to 2016 a total of 13.5 million dollars has been withheld from the district allocation in the state calculations referred to as the "negative factor".

The District will continue to monitor potential impacts regarding declining financial support from the state and increasing health insurance and pension fund increases for the current and future year's budgets.

Changes in student enrollment directly impact the financial resources of the District. Declining enrollment is the long term trend in School District Re-1 Valley, but the current trend appears to have stabilized. The District will continue to track enrollment trends and use that data in building future year's budgets. The District will also address cost containments and reductions that will be commensurate with the overall state funding reductions to ensure that the District maintains adequate General Fund reserves.

### **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 School District RE-1 Valley, 301 Hagen Street, Sterling, CO 80751.

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## **Basic Financial Statements**

The basic financial statements of the District include the following:

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

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

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

*Required supplementary information other than MD&A.* Budgetary comparison schedules should be presented for the general fund and for each major special revenue fund that has a legally adopted budget.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Statement of Net Position**  
**June 30, 2016**

	<u>Governmental Activities</u>
Assets	
Cash	\$ 4,381,518
Cash with fiscal agent	2,430,439
Investments	1,002,076
Receivables	703,438
Due from other entities	41,429
Due from fiduciary funds	2,660
Prepaid expenses	150,335
Inventory	88,827
Capital assets, net of depreciation	36,227,396
Other assets, net of amortization	<u>43,129</u>
Total assets	45,071,247
Deferred outflows of resources	
Contributions subsequent to measurement date	1,124,740
Difference between projected and actual earnings on pension plan	3,433,904
Differences between expected and actual experience	533,296
Changes in proportionate share	108,252
Deferred charges on refundings of bonds	<u>698,062</u>
Total deferred outflows of resources	<u>5,898,254</u>
Total assets and deferred outflows of resources	<u><u>\$ 50,969,501</u></u>

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

	<u>Governmental Activities</u>
Liabilities	
Accounts payable	\$ 620,699
Accrued salaries and benefits	2,018,676
Payroll deductions and withholdings	7,204
Accrued interest payable	34,615
Unearned grant revenue	65,602
Unearned revenue	33,690
Noncurrent liabilities	
Due within one year	1,185,000
Due in more than one year	<u>62,264,598</u>
Total liabilities	66,230,084
Deferred inflows of resources	
Changes in proportionate share	144,538
Changes in assumptions or other inputs	570,718
Differences between expected and actual experience	<u>1,682</u>
Total deferred inflows of resources	<u>716,938</u>
Total liabilities and deferred inflows of resources	66,947,022
Net position	
Net investment in capital assets	14,059,720
Restricted for:	
Emergencies	575,000
Food service program	226,854
Library purposes	48,086
Debt service	2,395,256
Instructional supplies and equipment	105,162
Capital projects	9,473
Unrestricted (deficit)	<u>(33,397,072)</u>
Total net position (deficit)	<u>(15,977,521)</u>
Total liabilities, deferred inflows of resources and net position	<u><u>\$ 50,969,501</u></u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 13,799,190	\$ 55,668	\$ 2,370,639	
Supporting services				
Students	1,233,756		88,402	
Instructional staff	754,525		223,984	
General administration	632,901		36,205	
School administration	1,463,313		1,042	
Business services	316,101			
Operations and maintenance	2,458,260			
Student transportation	832,501	51,691	172,585	
Central support	246,105		22	
Community services	183,287	132,237	9,542	
Food services	840,708	215,973	599,020	
Facilities acquisition	117,256			\$ 16,867
Unallocated depreciation*	1,204,734			
Interest and fiscal charges	837,623			
Total governmental activities	<u>\$ 24,920,260</u>	<u>\$ 455,569</u>	<u>\$ 3,501,441</u>	<u>\$ 16,867</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt services

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Insurance proceeds

Other

Total general revenues

Change in net position

Net position (deficit) at beginning of year,  
as restated

Net position (deficit) at end of year

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

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

---

Net (Expenses)  
Revenues and  
Changes in  
Net Position

Governmental  
Activities

\$ (11,372,883)

(1,145,354)

(530,541)

(596,696)

(1,462,271)

(316,101)

(2,458,260)

(608,225)

(246,083)

(41,508)

(25,715)

(100,389)

(1,204,734)

(837,623)

(20,946,383)

5,699,061

1,854,388

822,831

20,762

9,415,609

8,052

703,022

191,890

18,715,615

(2,230,768)

(13,746,753)

\$ (15,977,521)

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Governmental Designated Purpose Grants Fund	Bond Redemption Fund
<b>Assets</b>			
Cash	\$ 3,220,443	\$ 35,231	
Cash with fiscal agent	70,195		\$ 2,360,244
Investments	1,002,076		
Due from other funds	125,406		
Due from other entities	37,330		
Property taxes receivable	230,944		75,128
Grants receivable		369,197	
Other receivables	8,040		
Inventory	46,174		
<b>Total assets</b>	<b>\$ 4,740,608</b>	<b>\$ 404,428</b>	<b>\$ 2,435,372</b>
<b>Liabilities</b>			
Accounts payable	\$ 608,275	\$ 7,999	\$ 250
Accrued salaries and benefits	1,802,046	190,870	
Payroll deductions and withholdings	7,204		
Due to other funds	205	122,746	
Unearned grant revenue		65,602	
Unearned revenue	60	17,211	
<b>Total liabilities</b>	<b>2,417,790</b>	<b>404,428</b>	<b>250</b>
Deferred inflows of resources			
Deferred property tax revenues	105,123		39,866
<b>Fund balance</b>			
Nonspendable inventory	46,174		
Restricted for:			
Emergencies	575,000		
Food service program			
Library purposes			
Debt service			2,395,256
Instructional supplies and equipment			
Capital projects			
Committed to:			
Capital projects			
After day school activities			
Assigned for risk management	118,942		
Unassigned	1,477,579		
<b>Total fund balance</b>	<b>2,217,695</b>	<b>-</b>	<b>2,395,256</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 4,740,608</b>	<b>\$ 404,428</b>	<b>\$ 2,435,372</b>

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

Other Governmental Funds	Total
\$ 1,125,844	\$ 4,381,518
	2,430,439
	1,002,076
205	125,611
4,099	41,429
	306,072
13,223	382,420
6,906	14,946
42,653	88,827
<u>\$ 1,192,930</u>	<u>\$ 8,773,338</u>
\$ 4,175	\$ 620,699
25,760	2,018,676
	7,204
	122,951
	65,602
16,419	33,690
46,354	2,868,822
	144,989
42,653	88,827
	575,000
226,854	226,854
48,086	48,086
	2,395,256
105,162	105,162
9,473	9,473
673,349	673,349
40,999	40,999
	118,942
	1,477,579
<u>1,146,576</u>	<u>5,759,527</u>
<u>\$ 1,192,930</u>	<u>\$ 8,773,338</u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

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

Total fund balance - governmental funds	\$ 5,759,527
Capital and other assets, net used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	36,270,525
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	5,898,254
Property taxes receivable will be collected next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	144,989
Some expenditures in the governmental funds relate to next fiscal year and therefore are treated as prepaid expenses and deferred charges in the government-wide statements.	150,335
Deferred inflows of resources used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	(716,938)
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.	(34,615)
Long-term liabilities, including bonds payable, net pension liabilities and accrued compensated absences are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	<u>(63,449,598)</u>
Net position (deficit) of the governmental activities	<u>\$ (15,977,521)</u>

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

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**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	Governmental Designated Purpose Grants Fund	Bond Redemption Fund
<b>Revenues</b>			
Local sources	\$ 6,886,313	\$ 3,301	\$ 1,866,422
Intermediate sources	3,242		
State sources	10,726,239	432,681	
Federal sources		1,155,809	
<b>Total revenues</b>	<b>17,615,794</b>	<b>1,591,791</b>	<b>1,866,422</b>
<b>Expenditures</b>			
Instruction	11,271,536	1,227,963	
Supporting services	7,959,692	363,828	
Capital outlay			
Debt service			
Principal retirement	199,999		945,000
Interest and fiscal charges	163,110		693,200
<b>Total expenditures</b>	<b>19,594,337</b>	<b>1,591,791</b>	<b>1,638,200</b>
Excess of revenues over (under) expenditures	(1,978,543)	-	228,222
<b>Other financing sources</b>			
Insurance proceeds	1,254,477		
Excess of revenues and other financing sources over expenditures	(724,066)	-	228,222
Fund balance at beginning of year	2,941,761	-	2,167,034
Fund balance at end of year	<u>\$ 2,217,695</u>	<u>\$ -</u>	<u>\$ 2,395,256</u>

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

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Other Governmental Funds	Total
\$ 325,959	\$ 9,081,995
	3,242
35,228	11,194,148
580,659	1,736,468
941,846	22,015,853
15,106	12,514,605
901,615	9,225,135
294,672	294,672
	1,144,999
	856,310
<u>1,211,393</u>	<u>24,035,721</u>
(269,547)	(2,019,868)
	<u>1,254,477</u>
(269,547)	(765,391)
<u>1,416,123</u>	<u>6,524,918</u>
<u>\$ 1,146,576</u>	<u>\$ 5,759,527</u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

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

Net change in fund balances - governmental funds	\$ (765,391)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlays in the current period.	(735,416)
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.	(29,383)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension service costs, current year benefit changes, member contributions, expected earnings on plan investments, administrative expenses and recognition of deferred outflows and inflows from the pensions is reported as pension expense.	(1,784,884)
In the statement of activities, the loss on the disposal of capital assets are reported, whereas in the governmental funds, any proceeds from the disposal increase (decrease) financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets disposed.	(64,581)
In the statement of activities, certain expenses - compensated absences, interest bond premium amortization, insurance and refunding deferred charges amortization are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	3,887
Repayment of principal on bonds obligations is an expenditure in the governmental funds, but the repayment reduces long-term debt liabilities in the statement of net position.	<u>1,145,000</u>
Change in net position of governmental activities	<u>\$ (2,230,768)</u>

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

	Private Purpose Trust Fund	Agency Fund
Assets		
Cash	\$ 4,028	\$ 553,108
Certificates of deposit		24,391
Investments	7,000	
Total assets	<u>\$ 11,028</u>	<u>\$ 577,499</u>
Liabilities		
Due to other funds		\$ 2,660
Due to student groups		574,839
Total liabilities	<u>\$ -</u>	<u>\$ 577,499</u>
Net position		
Held in trust for scholarships	<u>11,028</u>	
Total liabilities and net position	<u>\$ 11,028</u>	

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

	<u>Private Purpose Trust Fund</u>
Additions	
Earnings on investments	\$ 190
Total additions	190
Deductions	
Scholarship awards	<u>-</u>
Total deductions	<u>-</u>
Net decrease in net position	190
Net position at beginning of year	<u>10,838</u>
Net position at end of year	<u>\$ 11,028</u>

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

This summary of the Logan County School District No. Re-1 Valley'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 Logan County School District No. Re-1 Valley is a school district governed by an elected seven-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:

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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

Expenditures include all costs associated with the daily operation of the schools, except for programs funded by grants from federal and state governments, certain capital outlay expenditures, risk-related transactions, debt service, food service operations, after school programs, scholarships, and pupil activities.

Governmental Designated Purpose Grants Fund – This fund maintains a separate accounting for programs funded by federal, state and local grants that may or may not have a different fiscal period than that of the District.

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 an special revenue fund used to account for the financial activities associated with the District's food service operations.

Campbell Library Fund – This fund is a special revenue fund used to account for expenditures relating to the Campbell School Library. This fund was created by a private contribution specifying that the funds be spent on the library.

Walsh Family Foundation Fund – This fund is a special revenue fund used to account for the proceeds of a contribution from a private donor and the related expenditures thereof.

After Day School Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's after school programs.

Building Fund – This fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Revenues and other financing sources are primarily derived from the issuance of debt or transfers from other funds.

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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

Fiduciary Funds focus on net position and changes in net position. 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. The District has one private-purpose trust fund, the Melendy Scholarship Trust Fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has one agency fund, the Pupil Activity Fund.

**Note A.3 – Basis of presentation**

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

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

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and 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 and enterprise 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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 and current liabilities, 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 (private-purpose trust and agency). Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

**A.4 – Basis of accounting**

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

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

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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.

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.

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 (expense/expenditure) until then.

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

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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

**A.7 – Inventories**

General Fund – Purchased inventories consist of general supply items and are stated at cost as determined by the first-in, first-out method.

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

**A.8 – Capital assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net position and in the respective 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>
Land and improvements	20 years
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	8 years

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

**A.9 – Compensated absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Vacation 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 vacation leave benefits are paid to employees upon termination of employment.

Vacation leave allowances are awarded to twelve-month employees according to the following schedule:

<u>Years of service</u>	<u>Annual accrual days</u>	<u>Maximum accrual</u>
1-7 years	10 days	30 days
8-15 years	15 days	35 days
16-20 years	20 days	40 days
20 & over	25 days	45 days

Sick leave allowances are awarded to employees according to the following schedule:

<u>Contract months</u>	<u>Annual accrual days</u>	<u>Maximum accrual</u>
9 months	10 days	100 days
10 months	11 days	101 days
11 months	12 days	102 days
12 months	13 days	103 days

Employees are paid \$20 per day for unused sick leave accumulation between 90 and 100 days at the end of each school year. Employees with ten or more consecutive years of service to the District will be awarded, immediately prior to retirement, \$10 per day of accumulated sick leave up to 90 days and \$1,000 in total if the full 90 days have been accumulated.

Unused compensatory time off can accrue to a maximum of 240 hours. Any hours over 240 are paid currently. 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 amounts 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

**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 are 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. Bond premiums, bond discounts, and amounts deferred upon refunding are amortized over the life of the bonds using the straight-line method.

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

**A.11 – Fund balance**

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

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

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

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

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

*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 are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**A.13 – Interfund transactions**

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

**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 a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$5,419,817, of which \$1,085,543 was insured and \$4,334,274 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

**Investments**

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

- Obligations of the United States 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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

During the year, the District invested in Colotrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2016, the District had invested in COLOTRUST PRIME. The District also invested in U.S. treasury bonds.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Colotrust	\$ 1,002,076	\$ 1,002,076	\$ -	\$ -
U.S. Treasury Bills	7,000	7,000	-	-
Total investments	<u>\$ 1,009,076</u>	<u>\$ 1,009,076</u>	<u>\$ -</u>	<u>\$ -</u>

The investment in Colotrust is maintained in the General Fund and the investment in U.S. treasury bonds is maintained in the Melendy Scholarship Trust Fund.

Interest rate risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing rates.

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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

Cash in bank	\$ 4,937,604
Cash on hand	1,050
Cash with fiscal agent	2,430,439
Certificates of deposit	24,391
Investments in Colotrust	1,002,076
Investments in treasury bills	<u>7,000</u>
Total	<u>\$ 8,402,560</u>
 <u>Statement of net position</u>	
Cash	\$ 4,381,518
Cash with fiscal agent	2,430,439
Investments	<u>1,002,076</u>
Subtotal	7,814,033
 <u>Statement of fiduciary net position</u>	
Cash	557,136
Certificates of deposit	24,391
Investments	<u>7,000</u>
Subtotal	<u>588,527</u>
Total	<u>\$ 8,402,560</u>

**Note C - Receivables**

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Grants receivable	\$ 382,420
Property taxes receivable	306,072
Other receivables	<u>14,946</u>
Total	<u>\$ 703,438</u>

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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

**Note D - Interfund transactions**

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

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b><u>Governmental funds</u></b>		
General Fund	\$ 125,406	\$ 205
Governmental Designated Purpose Fund	-	122,746
Other Governmental Funds	<u>205</u>	<u>-</u>
Subtotal	125,611	122,951
<b><u>Fiduciary funds</u></b>		
Agency Fund	<u>-</u>	<u>2,660</u>
Total	<u>\$ 125,611</u>	<u>\$ 125,611</u>

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

**Note E - Capital assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land and water rights	\$ 185,127	\$ -	\$ -	\$ 185,127
Construction in progress	<u>2,395,495</u>	<u>881,353</u>	<u>(2,395,495)</u>	<u>881,353</u>
Total capital assets, not being depreciated	2,580,622	881,353	(2,395,495)	1,066,480
Capital assets, being depreciated:				
Land improvements	2,522,383	-	-	2,522,383
Buildings and improvements	50,427,894	2,572,911	(123,295)	52,877,510
Furniture and equipment	1,594,356	94,083	(26,792)	1,661,647
Licensed vehicles	<u>2,133,538</u>	<u>73,350</u>	<u>-</u>	<u>2,206,888</u>
Total capital assets, being depreciated	<u>56,678,171</u>	<u>2,740,344</u>	<u>(150,087)</u>	<u>59,268,428</u>
Total capital assets	59,258,793	3,621,697	(2,545,582)	60,334,908

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

**Note E – Capital assets (Continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Land improvements	(1,438,421)	(85,112)	-	(1,523,533)
Buildings and improvements	(17,795,727)	(1,710,916)	61,319	(19,445,324)
Furniture and equipment	(1,132,817)	(91,841)	24,187	(1,200,471)
Licensed vehicles	(1,844,574)	(93,610)	-	(1,938,184)
 Total accumulated depreciation	 (22,211,539)	 (1,981,479)	 85,506	 (24,107,512)
 Governmental activities capital assets, net	 <u>\$ 37,047,254</u>	 <u>\$ 1,640,218</u>	 <u>\$ (2,460,076)</u>	 <u>\$ 36,227,396</u>

The total accumulated depreciation increase of \$1,981,479 includes \$551,455 of impairment loss and current year depreciation expense of \$1,430,024.

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

<b>Governmental activities</b>	
Instruction	\$ 60,440
General administration	9,130
Operations and maintenance	25,434
Student transportation	107,972
Food service	2,453
Unallocated depreciation	<u>1,224,595</u>
 Total depreciation expense	 <u>\$ 1,430,024</u>

**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 \$2,018,676. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

**Note G – Long-term debt**

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Transfers/ Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental activities</b>					
Compensated absences	\$ 197,168	\$ 1,149	\$ -	\$ 198,317	\$ -
Net pension liability	35,635,713	4,749,829	-	40,385,542	-
Certificates of Participation	5,235,000	-	(200,000)	5,035,000	205,000
Bonds payable	17,779,990	-	(945,000)	16,834,990	980,000
Bond premium	<u>1,100,585</u>	<u>-</u>	<u>(104,836)</u>	<u>995,749</u>	<u>-</u>
Total	<u>\$ 59,948,456</u>	<u>\$ 4,750,978</u>	<u>\$ (1,249,836)</u>	<u>\$ 63,449,598</u>	<u>\$ 1,185,000</u>

Payments on the bonds payable are made in the Bond Redemption Fund, while the net pension liability attributable to the governmental activities will be liquidated by the General Fund. Compensated absences will be liquidated by the General Fund and Food Service Fund. Payments on the certification of participation are made in the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

**Bonds payable**

General obligation bonds payable consist of the following individual issue:

\$23,700,000 general obligation bonds dated January 10, 2006. The District issued \$8,909,990 in general obligation refunding bonds (see below) on January 16, 2008 to advance refund bonds maturing on or after December 15, 2025. The District issued \$8,070,000 in general obligation refunding bonds (see below) on December 30, 2011 to advance refund bonds maturing on or after December 15, 2018.

\$ 810,000

\$8,909,990 general obligation refunding bonds, dated January 16, 2008, due in annual installments beginning in fiscal year 2008 ranging from \$55,000 to \$1,590,000; varying annual interest rates from .578% to 4.00%, payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>.

8,329,990

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

\$8,070,000 general obligation refunding bonds, dated December 30, 2011, due in annual installments beginning in fiscal year 2013 ranging from \$90,000 to \$1,190,000; varying annual interest rates from 2.00% to 4.00%, payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>. 7,695,000

Total general obligation bonds \$ 16,834,990

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	\$ 980,000	\$ 652,650	\$ 1,632,650
2018	1,015,000	613,700	1,628,700
2019	1,055,000	572,300	1,627,300
2020	1,095,000	529,300	1,624,300
2021	1,145,000	484,500	1,629,500
2022-2026	4,184,990	2,922,010	7,107,000
2027-2031	<u>7,360,000</u>	<u>758,800</u>	<u>8,118,800</u>
Totals	<u>\$ 16,834,990</u>	<u>\$ 6,533,260</u>	<u>\$ 23,368,250</u>

**Certificates of participation**

In June 2014, the District issued \$5,235,000 Certificates of Participation, Series 2014. Principal payments are due in annual installments beginning in fiscal year 2016 ranging from \$200,000 to \$355,000; varying annual interest rates from 2.00% to 4.00%, payable semi-annually on June 15<sup>th</sup> and December 15<sup>th</sup>.

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

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 205,000	\$ 157,413	\$ 362,413
2018	210,000	153,263	363,263
2019	215,000	149,012	364,012
2020	215,000	144,713	359,713
2021	220,000	140,363	360,363
2022-2026	1,200,000	606,912	1,806,912
2027-2031	1,425,000	374,737	1,799,737
2032-2035	<u>1,345,000</u>	<u>102,631</u>	<u>1,447,631</u>
Totals	<u>\$ 5,035,000</u>	<u>\$ 1,829,044</u>	<u>\$ 6,864,044</u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

**Prior year defeasance of debt**

In prior years, the District defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At year-end, \$16,550,000 of bonds outstanding are considered defeased.

**Note H – Defined benefit pension plan**

Summary of significant accounting policies

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

General information about the pension plan

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

*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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. 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>17.33%</u>	<u>18.13%</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 \$2,176,925 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 \$40,385,542 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 0.2641 percent, which was an increase of 0.0011 percent from its proportion measured as of December 31, 2014.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

For the year, the District recognized pension expense of \$3,961,808. 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	\$ 533,296	\$ 1,682
Changes of assumptions or other inputs	-	570,718
Net difference between projected and actual earnings on pension plan investments	3,433,904	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	108,252	144,538
Contributions subsequent to the measurement date	<u>1,124,740</u>	<u>-</u>
Total	<u>\$ 5,200,192</u>	<u>\$ 716,938</u>

\$1,124,740 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	\$ 850,730
2018	876,536
2019	927,088
2020	<u>704,160</u>
Totals	<u>\$ 3,358,514</u>

*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

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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:

- The following programming changes were made:
  - 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.
- 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

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

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

<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	<u>7.00%</u>	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%.

*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 projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

- 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.
- 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

*Sensitivity of the District’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 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>52,351,466</u>	\$ <u>40,385,542</u>	\$ <u>30,432,126</u>

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

Payables to the pension plan

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

**Note I – Defined contribution pension plan**

Voluntary Investment Program

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

*Funding policy.* The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ending June 30, 2016, program member contributions were \$163,168 for the Voluntary Investment Program.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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**Note J – Other postemployment benefits**

Health Care Trust Fund

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

*Funding policy.* The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$118,394, \$114,348 and \$109,489, respectively, equal to their required contributions for each year.

**Note K – Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution covering the fiscal year was \$143,495. 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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**Note L – Commitments and contingencies**

Federal and state funding

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

Litigation

The District was involved in various pending or threatened lawsuits during the fiscal year arising from its operations. After consulting with legal counsel, the District's management has concluded that the potential claims not covered by insurance or accrued for, resulting from such litigation, would not materially affect the financial statements of the District.

Committed Construction

During the year, the District entered into construction contracts relating to major roof restoration of various buildings due to hail damage and other small projects. These projects are expected to be completed in fiscal year 2017. Future expenditures related to this commitment are expected to be financed through insurance proceeds and other current available resources. At June 30, 2016, the remaining commitment on these constructions contracts was \$133,838.

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. On November 5, 1996, 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 \$575,000 for the emergency reserve.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Financial Statements**

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

Colorado Budget Law

Expenditures in the Governmental Designated Purpose Grants Fund exceeded its appropriations by \$54,263 which may be in violation of Colorado Local Government Budget Laws.

**Note M – Impairment Loss**

The District evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred in accordance with GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. The District's management has determined that certain identified capital assets were impaired and recorded an impairment loss of \$551,455 resulting from a hailstorm. The associated insurance proceeds received is reported net of the impairment loss in the government-wide financial statements.

The governmental funds financial statements report the restoration costs as expenditures. The District has expended \$881,353 to begin the repair process.

The impairment loss is measured using the restoration cost approach which deflates the estimated costs to restore the asset by a cost index based on the age of the impaired capital assets.

**Note N – Restatement of Beginning Net Position**

The District previously reported the activity of the After Day School Fund in a proprietary fund. Beginning in fiscal year 2015-2016, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$32,191, which is equal to the net current assets and current liabilities previously reported in the proprietary fund. All remaining assets and liabilities, including a deficit net fund balance of \$221,763, previously reported in the proprietary fund are not recognized at the fund level under modified accrual, and have been reclassified as assets and liabilities of its governmental activities as of June 30, 2015.

	<u>Governmental Activities</u>
Beginning net position, as originally reported	\$(13,557,181)
After Day School fund reclassification	<u>(189,572)</u>
Beginning net position, as restated	<u>\$(13,746,753)</u>

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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
- Budgetary Comparison Schedule – Governmental Designated Purpose Grants Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**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	\$ 6,430,312	\$ 6,430,312	\$ 6,886,313	\$ 456,001
Intermediate sources			3,242	3,242
State sources	<u>10,816,739</u>	<u>10,816,739</u>	<u>10,726,239</u>	<u>(90,500)</u>
Total revenues	17,247,051	17,247,051	17,615,794	368,743
Expenditures				
Instruction	11,159,189	11,159,189	11,271,536	(112,347)
Supporting services	7,466,970	7,466,970	7,959,692	(492,722)
Debt service				
Principal retirement	199,999	199,999	199,999	-
Interest and fiscal charges	161,464	161,464	163,110	(1,646)
Appropriated reserves	<u>2,668,521</u>	<u>2,668,521</u>		<u>2,668,521</u>
Total expenditures	<u>21,656,143</u>	<u>21,656,143</u>	<u>19,594,337</u>	<u>2,061,806</u>
Excess of revenues over (under) expenditures	(4,409,092)	(4,409,092)	(1,978,543)	2,430,549
Other financing sources				
Insurance proceeds			<u>1,254,477</u>	<u>1,254,477</u>
Excess of revenues and other financing sources over expenditures	<u>\$ (4,409,092)</u>	<u>\$ (4,409,092)</u>	(724,066)	<u>\$ 3,685,026</u>
Fund balance at beginning of year			<u>2,941,761</u>	
Fund balance at end of year			<u>\$ 2,217,695</u>	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Governmental Designated Purpose Grants 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			\$ 3,301	\$ 3,301
State sources	\$ 451,671	\$ 451,671	432,681	(18,990)
Federal sources	1,085,857	1,085,857	1,155,809	69,952
Total revenues	1,537,528	1,537,528	1,591,791	54,263
Expenditures				
Instruction				
Salaries and benefits			922,347	(922,347)
Purchased services			154,929	(154,929)
Supplies and materials			69,087	(69,087)
Property			80,410	(80,410)
Other			1,190	(1,190)
Total instruction	-	-	1,227,963	(1,227,963)
Supporting services				
Salaries and benefits			95,363	(95,363)
Purchased services			256,291	(256,291)
Supplies and materials			12,171	(12,171)
Property			3	(3)
Total supporting services	-	-	363,828	(363,828)
Appropriated reserves	1,537,528	1,537,528		1,537,528
Total expenditures	1,537,528	1,537,528	1,591,791	(54,263)
Excess of revenues over (under) expenditures	\$ -	\$ -	-	\$ -
Fund balance at beginning of year			-	
Fund balance at end of year			\$ -	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Schedule of the District's Proportionate Share of the Net Pension Liability <sup>1</sup>**  
**June 30, 2016**

	June 30, 2016	June 30, 2015
District's proportion of the net pension liability	0.2640562681%	0.2629290127%
District's proportionate share of the net pension liability	\$ 40,385,542	\$ 35,635,713
District's covered-employee payroll	\$ 11,607,294	\$ 11,210,552
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	347.93%	317.88%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.8%

<sup>1</sup> Information for the prior eight years was not available to report. In future reports, additional years will be added until 10 years of historical data are presented.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Schedule of District Contributions <sup>1</sup>**  
**June 30, 2016**

	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 2,176,925	\$ 2,007,991
Contributions in relation to the contractually required contribution	<u>(2,176,925)</u>	<u>(2,007,991)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 11,607,294	\$ 11,210,552
Contributions as a percentage of covered-employee payroll	18.75%	17.91%

<sup>1</sup> Information for the prior eight years was not available to report. In future reports, additional years will be added until 10 years of historical data are presented.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to the Required Supplementary Information**

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**Note A – Budgetary data**

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

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. 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.
5. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
6. 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 not made during the year.
7. Appropriations lapse at year-end.

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

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

### **Other Supplementary Information**

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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## **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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**General Fund**  
**Schedule of Revenues**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 5,297,124	\$ 5,297,124	\$ 5,727,988	\$ 430,864
Specific ownership taxes	888,263	888,263	822,831	(65,432)
Delinquent taxes and interest	8,000	8,000	15,290	7,290
Tuition	5,000	5,000	25,175	20,175
Other transportation	38,925	38,925	51,692	12,767
Earnings on investments	3,000	3,000	1,788	(1,212)
Pupil activities and fees	50,000	50,000	51,553	1,553
Other revenues	140,000	140,000	189,996	49,996
<b>Total local sources</b>	<b>6,430,312</b>	<b>6,430,312</b>	<b>6,886,313</b>	<b>456,001</b>
Intermediate sources				
Mineral lease			3,242	3,242
<b>Total intermediate sources</b>	<b>-</b>	<b>-</b>	<b>3,242</b>	<b>3,242</b>
State sources				
State equalization	9,599,678	9,599,678	9,415,609	(184,069)
Vocational education	175,000	175,000	224,603	49,603
Special education	634,397	634,397	621,134	(13,263)
English language proficiency	44,393	44,393	44,338	(55)
Gifted and talented	39,271	39,271	61,809	22,538
Transportation	160,000	160,000	167,954	7,954
At-risk funding			14,605	14,605
Small attendance center	164,000	164,000	176,187	12,187
<b>Total state sources</b>	<b>10,816,739</b>	<b>10,816,739</b>	<b>10,726,239</b>	<b>(90,500)</b>
<b>Total revenues</b>	<b>\$ 17,247,051</b>	<b>\$ 17,247,051</b>	<b>\$ 17,615,794</b>	<b>\$ 368,743</b>

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**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**General Fund**  
**Schedule of Expenditures**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Instruction</b>				
Salaries	\$ 7,227,882	\$ 7,227,882	\$ 7,141,484	\$ 86,398
Employee benefits	2,785,345	2,785,345	2,585,089	200,256
Purchased services	504,491	504,491	722,379	(217,888)
Supplies and materials	399,689	399,689	541,775	(142,086)
Property	120,418	120,418	177,916	(57,498)
Other	121,364	121,364	102,893	18,471
<b>Total instruction</b>	<b>11,159,189</b>	<b>11,159,189</b>	<b>11,271,536</b>	<b>(112,347)</b>
<b>Supporting services</b>				
<b>Students</b>				
Salaries	659,941	659,941	730,519	(70,578)
Employee benefits	247,495	247,495	268,521	(21,026)
Purchased services	39,329	39,329	27,166	12,163
Supplies and materials	9,190	9,190	10,509	(1,319)
Other			145	(145)
<b>Total students</b>	<b>955,955</b>	<b>955,955</b>	<b>1,036,860</b>	<b>(80,905)</b>
<b>Instructional staff</b>				
Salaries	350,637	350,637	357,473	(6,836)
Employee benefits	166,978	166,978	119,425	47,553
Purchased services	12,646	12,646	46,173	(33,527)
Supplies and materials	60,027	60,027	34,576	25,451
Property	15,285	15,285	(90,598)	105,883
Other			922	(922)
<b>Total instructional staff</b>	<b>605,573</b>	<b>605,573</b>	<b>467,971</b>	<b>137,602</b>
<b>General administration</b>				
Salaries	348,712	348,712	339,973	8,739
Employee benefits	118,835	118,835	106,341	12,494
Purchased services	91,038	91,038	69,356	21,682
Supplies and materials	15,342	15,342	10,013	5,329
Property	3,057	3,057	2,053	1,004
Other	10,144	10,144	4,990	5,154
<b>Total general administration</b>	<b>587,128</b>	<b>587,128</b>	<b>532,726</b>	<b>54,402</b>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	902,306	902,306	919,782	(17,476)
Employee benefits	310,268	310,268	300,169	10,099
Purchased services	50,490	50,490	56,750	(6,260)
Supplies and materials	37,100	37,100	43,375	(6,275)
Property	1,574	1,574	777	797
Other			4,929	(4,929)
Total school administration	1,301,738	1,301,738	1,325,782	(24,044)
Business services				
Salaries	192,310	192,310	184,342	7,968
Employee benefits	69,134	69,134	65,024	4,110
Purchased services	10,500	10,500	20,839	(10,339)
Supplies and materials	10,500	10,500	11,476	(976)
Property	2,500	2,500	6,400	(3,900)
Total business services	284,944	284,944	288,081	(3,137)
Operations and maintenance				
Salaries	896,197	896,197	883,680	12,517
Employee benefits	353,316	353,316	321,562	31,754
Purchased services	490,426	490,426	399,578	90,848
Supplies and materials	912,081	912,081	781,648	130,433
Property	10,285	10,285	14,704	(4,419)
Other	128,386	128,386		128,386
Total operations and maintenance	2,790,691	2,790,691	2,401,172	389,519
Student transportation				
Salaries	332,425	332,425	354,404	(21,979)
Employee benefits	91,954	91,954	95,564	(3,610)
Purchased services	110,876	110,876	183,681	(72,805)
Supplies and materials	145,000	145,000	129,897	15,103
Property	115,000	115,000	77,035	37,965
Other	(117,962)	(117,962)	(100,399)	(17,563)
Total student transportation	677,293	677,293	740,182	(62,889)

(Continued)

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**General Fund**  
**Schedule of Expenditures**  
**Budget and Actual**  
**For the Year Ended June 30, 2016**

(Continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support				
Purchased services	208,088	208,088	210,466	(2,378)
Supplies and materials			16,649	(16,649)
Total central support	208,088	208,088	227,115	(19,027)
Community services				
Salaries	34,263	34,263	38,624	(4,361)
Employee benefits	9,251	9,251	13,053	(3,802)
Purchased services	6,347	6,347	4,307	2,040
Supplies and materials	5,597	5,597	2,442	3,155
Other	102	102	24	78
Total community services	55,560	55,560	58,450	(2,890)
Facilities acquisition services				
Property			881,353	(881,353)
Total supporting services	7,466,970	7,466,970	7,959,692	(492,722)
Debt services				
Principal retirement	199,999	199,999	199,999	-
Interest and fiscal charges	161,464	161,464	163,110	(1,646)
Total debt services	361,463	361,463	363,109	(1,646)
Appropriated reserves	2,668,521	2,668,521		2,668,521
Total expenditures	<u>\$ 21,656,143</u>	<u>\$ 21,656,143</u>	<u>\$ 19,594,337</u>	<u>\$ 2,061,806</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 is a special revenue fund is used to record financial transactions related to the District’s food service operations.
- Campbell Library Fund – This fund is a special revenue fund used to account for expenditures relating to the Campbell School Library. This fund was created by a private contribution specifying that the funds be spent on the library.
- Walsh Family Foundation Fund – This fund is a special revenue fund used to account for the proceeds of a contribution from a private donor and the related expenditures thereof.
- After Day School Fund – This fund is a special revenue fund used to account for the financial activities associated with the District’s after school programs.

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

- Building Fund – This fund is a capital projects fund used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds). Revenues and other financing sources are primarily derived from the issuance of debt or transfers from other funds.
- 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.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Food Service	Campbell Library	Walsh Family Foundation
<b>Assets</b>			
Cash	\$ 258,751	\$ 48,086	\$ 105,162
Due from other funds			
Due from other entities			
Grants receivables	9,318		
Other receivables	2,855		
Inventory	42,653		
<b>Total assets</b>	<b>\$ 313,577</b>	<b>\$ 48,086</b>	<b>\$ 105,162</b>
<b>Liabilities and fund balance</b>			
<b>Liabilities</b>			
Accounts payable	\$ 3,008		
Accrued salaries and benefits	25,760		
Unearned revenue	15,302		
<b>Total liabilities</b>	<b>44,070</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Fund balance</b>			
Nonspendable for inventory	42,653		
Restricted for:			
Food service program	226,854		
Library purposes		48,086	
Instructional supplies and equipment			105,162
Capital projects			
Committed to:			
After day school activities			
Capital projects			
<b>Total fund balance</b>	<b>269,507</b>	<b>48,086</b>	<b>105,162</b>
<b>Total liabilities and fund balance</b>	<b>\$ 313,577</b>	<b>\$ 48,086</b>	<b>\$ 105,162</b>

After Day School	Building	Capital Reserve Capital Projects	Totals
\$ 34,928	\$ 9,473	\$ 669,444	\$ 1,125,844
205			205
4,099			4,099
		3,905	13,223
4,051			6,906
			42,653
<u>\$ 43,283</u>	<u>\$ 9,473</u>	<u>\$ 673,349</u>	<u>\$ 1,192,930</u>
\$ 1,167			\$ 4,175
			25,760
1,117			16,419
2,284	\$ -	\$ -	46,354
			42,653
			226,854
			48,086
			105,162
	9,473		9,473
40,999			40,999
		673,349	673,349
40,999	9,473	673,349	1,146,576
<u>\$ 43,283</u>	<u>\$ 9,473</u>	<u>\$ 673,349</u>	<u>\$ 1,192,930</u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2016**

	<u>Food Service</u>	<u>Campbell Library</u>	<u>Walsh Family Foundation</u>
Revenues			
Local sources	\$ 218,809		\$ 158
State sources	18,361		
Federal sources	580,659		
Total revenues	817,829	\$ -	158
Expenditures			
Instruction			15,106
Supporting services	798,675	2,954	1,802
Capital outlay			
Property			
Total expenditures	798,675	2,954	16,908
Excess of revenues over (under) expenditures	19,154	(2,954)	(16,750)
Fund balance at beginning of year	250,353	51,040	121,912
Fund balance at end of year	<u>\$ 269,507</u>	<u>\$ 48,086</u>	<u>\$ 105,162</u>

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<u>After Day School</u>	<u>Building</u>	<u>Capital Reserve Capital Projects</u>	<u>Totals</u>
\$ 106,992		\$ 16,867	\$ 325,959 35,228 580,659
106,992	\$ -	16,867	941,846
98,184			15,106 901,615
	10,032	284,640	294,672
98,184	10,032	284,640	1,211,393
8,808	(10,032)	(267,773)	(269,547)
32,191	19,505	941,122	1,416,123
<u>\$ 40,999</u>	<u>\$ 9,473</u>	<u>\$ 673,349</u>	<u>\$ 1,146,576</u>

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**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	\$ 310,000	\$ 310,000	\$ 218,809	\$ (91,191)
State sources			18,361	18,361
Federal sources	535,000	535,000	580,659	45,659
Total revenues	845,000	845,000	817,829	(27,171)
Expenditures				
Supporting services				
Salaries and benefits	406,000	406,000	359,588	46,412
Purchased services	3,000	3,000	11,927	(8,927)
Supplies and materials	459,000	459,000	426,247	32,753
Property	84,000	84,000	913	83,087
Other	58,000	58,000		58,000
Appropriated reserves	114,000	114,000		114,000
Total expenditures	1,124,000	1,124,000	798,675	325,325
Excess of revenues over (under) expenditures	<u>\$ (279,000)</u>	<u>\$ (279,000)</u>	19,154	<u>\$ (352,496)</u>
Fund balance at beginning of year			250,353	
Fund balance at end of year			<u>\$ 269,507</u>	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Campbell Library Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Supporting services				
Supplies	51,040	51,040	2,954	48,086
Total expenditures	51,040	51,040	2,954	48,086
Excess of revenues over (under) expenditures	<u>\$ (51,040)</u>	<u>\$ (51,040)</u>	(2,954)	<u>\$ 48,086</u>
Fund balance at beginning of year			51,040	
Fund balance at end of year			<u>\$ 48,086</u>	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Walsh Family Foundation 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			\$ 158	\$ 158
Total revenues	\$ -	\$ -	158	158
Expenditures				
Instruction				
Supplies and materials	122,667	122,667	12,051	110,616
Property			3,055	(3,055)
Total instruction	122,667	122,667	15,106	107,561
Supporting services				
Instructional staff				
Supplies and materials			1,802	(1,802)
Total expenditures	122,667	122,667	16,908	105,759
Excess of revenues over (under) expenditures	\$ (122,667)	\$ (122,667)	(16,750)	\$ 105,917
Fund balance at beginning of year			121,912	
Fund balance at end of year			\$ 105,162	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**After Day School 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	\$ 175,200	\$ 175,200	\$ 106,992	\$ (68,208)
Total revenues	175,200	175,200	106,992	(68,208)
Expenditures				
Supporting services				
Salaries and benefits	149,200	149,200	84,520	64,680
Purchased services	10,000	10,000	4,370	5,630
Supplies and materials	20,000	20,000	6,623	13,377
Property	9,000	9,000		9,000
Other			2,671	(2,671)
Appropriated reserves	12,000	12,000		12,000
Total expenditures	200,200	200,200	98,184	102,016
Excess of revenues over (under) expenditures	\$ (25,000)	\$ (25,000)	8,808	\$ 33,808
Fund balance at beginning of year			32,191	
Fund balance at end of year			\$ 40,999	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Building Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues	\$ -	\$ -	\$ -	\$ -
Expenditures				
Capital outlay				
Property	<u>868,680</u>	<u>868,680</u>	<u>10,032</u>	<u>858,648</u>
Total expenditures	<u>868,680</u>	<u>868,680</u>	<u>10,032</u>	<u>858,648</u>
Excess of revenues over (under) expenditures	<u>\$ (868,680)</u>	<u>\$ (868,680)</u>	<u>(10,032)</u>	<u>858,648</u>
Fund balance at beginning of year			<u>19,505</u>	
Fund balance at end of year			<u>\$ 9,473</u>	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**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				
State sources			\$ 16,867	\$ 16,867
Total revenues	\$ -	\$ -	16,867	16,867
Expenditures				
Capital outlay				
Property	1,094,727	1,094,727	284,640	810,087
Appropriated reserves	170,000	170,000		170,000
Total expenditures	1,264,727	1,264,727	284,640	980,087
Excess of revenues over (under) expenditures	(1,264,727)	(1,264,727)	(267,773)	996,954
Other financing sources				
Transfers in	109,972	109,972		(109,972)
Excess of revenues and other sources over (under) expenditures	<u>\$ (1,154,755)</u>	<u>\$ (1,154,755)</u>	(267,773)	<u>\$ 886,982</u>
Fund balance at beginning of year			941,122	
Fund balance at end of year			<u>\$ 673,349</u>	

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

The District reports the following major debt service fund:

- Bond Redemption Fund – The revenues from a tax levy for the purpose of satisfying bonded indebtedness obligations, both principal and interest and related expenditures, shall be recorded in this fund.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Bond Redemption 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				
Property taxes	\$ 1,850,500	\$ 1,850,500	\$ 1,854,844	\$ 4,344
Delinquent taxes and interest			5,472	5,472
Interest on investments			6,106	6,106
Total revenues	1,850,500	1,850,500	1,866,422	15,922
Expenditures				
Debt service				
Principal retirement	945,000	945,000	945,000	-
Interest and fiscal charges	723,400	723,400	693,200	30,200
Appropriated reserves	2,206,589	2,206,589		2,206,589
Total expenditures	3,874,989	3,874,989	1,638,200	2,236,789
Excess of revenue over (under) expenditures	\$ (2,024,489)	\$ (2,024,489)	228,222	\$ 2,252,711
Fund balance at beginning of year			2,167,034	
Fund balance at end of year			\$ 2,395,256	

## **Budgetary Comparison Schedule – Fiduciary Funds**

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

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

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

Agency funds – 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 Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities. These activities are self-supporting and do not receive any direct or indirect support within the fund.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**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				
Earnings on investments	\$ 5,000	\$ 5,000		\$ (5,000)
Fundraising and other events	750,000	750,000	\$ 781,588	31,588
Total additions	755,000	755,000	781,588	26,588
Deductions				
Pupil activity expenditures	855,000	855,000	773,889	81,111
Appropriated reserves	200,000	200,000		200,000
Total deductions	1,055,000	1,055,000	773,889	281,111
Excess of additions over (under) deductions	<u>\$ (300,000)</u>	<u>\$ (300,000)</u>	7,699	<u>\$ 307,699</u>
Due to student groups at beginning of year			567,140	
Due to student groups at end of year			<u>\$ 574,839</u>	

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Melendy Scholarship Trust Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Earnings on investments	\$ 600	\$ 600	\$ 190	\$ (410)
Total revenues	600	600	190	(410)
Expenditures				
Scholarship awards	3,600	3,600		3,600
Appropriated reserves	9,000	9,000		9,000
Total expenditures	12,600	12,600	-	12,600
Excess of revenues over (under) expenditures	\$ (12,000)	\$ (12,000)	190	\$ 12,190
Net position at beginning of year			10,838	
Net position at end of year			\$ 11,028	

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## **Single Audit Section**

The Single Audit Section contains the following:

- Schedule of Expenditures of Federal Awards
- Notes to Schedule of Expenditures of Federal Awards
- Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*
- Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance
- Schedule of Findings and Questioned Costs

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2016**

Federal Grantor / Pass-through Grantor / Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Education</u>			
Pass-through programs from:			
Colorado Department of Education:			
Title I Grants to Local Educational Agencies	84.010	4010	\$ 471,617
Improving Teacher Quality State Grants	84.367	4367	97,903
State Board of Community Colleges:			
Vocational Education - Basic Grants to States	84.048	5048	23,244
Total U.S. Department of Education			592,764
<u>Child Nutrition Cluster</u>			
U.S. Department of Agriculture:			
Pass-through program from:			
Colorado Department of Human Services:			
Donated Commodities	10.555	4555	63,584
Colorado Department of Education:			
School Breakfast Program	10.553	4553	82,459
National School Lunch Program	10.555	4555	418,284
Summer Food Service Program for Children	10.559	4559	16,332
Total Child Nutrition Cluster			580,659
<u>Special Education Cluster (IDEA)</u>			
U.S. Department of Education:			
Pass-through program from:			
Colorado Department of Education:			
Special Education - Grants to States	84.027	4027	490,202
Special Education - Grants to States	84.027	5027	5,528
Special Education - Preschool Grants	84.173	4173	33,974
Total Special Education Cluster			529,704
Total expenditures of federal awards			\$ 1,703,127

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Notes to Schedule of Expenditures of Federal Awards**

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**Note A – Basis of presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Logan County School District No. Re-1 Valley and is presented on the modified accrual basis of accounting. Revenues are recognized when they become measurable and available as net current assets. Grant and entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts and an unearned grant revenue account is established when receipts exceed the related expenditures. The information in the schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CRF) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note B – Nonmonetary assistance**

Federal nonmonetary assistance is reported in the schedule at the fair value of the items received and disbursed during the year. The District received nonmonetary assistance for the year as follows:

CFDA No. 10.555	National School Lunch Program	\$ <u>63,584</u>
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**Note C – Indirect Cost Rate**

The District did not elect to use the 10% de minimis indirect cost rate.

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**Independent Auditors' Report on Internal Control over Financial Reporting and on  
Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with Government Auditing Standards**

Board of Education  
Logan County School District No. Re-1 Valley  
Sterling, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Logan County School District No. Re-1 Valley (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, and have issued our report thereon dated November 3, 2016.

**Internal Control over Financial Reporting**

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

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

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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

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

Sterling, Colorado  
November 3, 2016



**Independent Auditors' Report on Compliance for Each Major Program  
and on Internal Control Over Compliance Required by the Uniform Guidance**

Board of Education  
Logan County School District No. Re-1 Valley  
Sterling, Colorado

**Report on Compliance for Each Major Program**

We have audited the Logan County School District No. Re-1 Valley's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control over Compliance**

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

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

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

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

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

Sterling, Colorado  
November 3, 2016

**LOGAN COUNTY SCHOOL DISTRICT NO. RE-1 VALLEY**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2016**

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**Summary of audit results**

1. The auditors' report expresses an unmodified opinion on the basic financial statements of the Logan County School District No. Re-1 Valley (the District).
2. No significant deficiencies relating to the audit of the basic financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the basic financial statements of the District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditors' Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditors' report on compliance for the major federal award programs for the District expresses an unmodified opinion on all major federal programs.
6. The audit did not disclose any findings relative to the major federal award programs of the District.
7. The program tested as major was:  

Child Nutrition Cluster	CFDA Nos. 10.553, 10.555 and 10.559
-------------------------	-------------------------------------
8. The threshold for distinguishing Type A and B programs was \$750,000.
9. The District qualified as a low-risk auditee.

**Findings – Financial statement audit**

We noted no findings that are required to be reported under *Government Auditing Standards*.

**Findings and Questioned Costs**

We noted no findings or questioned costs that are required to be reported in accordance with the Uniform Guidance.

**Prior year findings**

There were no findings or questioned costs reported for the year ended June 30, 2015.

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**Colorado Department of Education  
Supplementary Schedule**

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

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

Board of Education  
Logan County School District No. Re-1 Valley  
Sterling, Colorado

We have audited the basic financial statements of the Logan County School District No. Re-1 Valley (the District) as of and for the year ended June 30, 2016, and our report thereon dated November 3, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-3. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Sterling, Colorado  
November 3, 2016

**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 1828 - VALLEY RE-1  
 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	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>						
10 General Fund	2,918,551		17,515,793		18,335,591	2,098,753
18 Risk Mgmt Sub-Fund of General Fund	23,210		1,354,477		1,258,745	116,942
19 Colorado Pre-school Program Fund	0		0		0	0
<b>Sub-Total</b>	<b>2,941,761</b>		<b>18,870,270</b>		<b>19,594,336</b>	<b>2,217,685</b>
11 Charter School Fund	0		0		0	0
20 26-29 Special Revenue Fund	205,144		107,150		118,046	194,248
21 Food Service Spec Revenue Fund	210,360		817,819		798,676	260,507
22 GOVT Designated Purpose Grants Fund	0		1,591,791		1,591,791	0
23 Pupil Activity Special Revenue Fund	0		0		0	0
24 Full Day Kindergarten Mill Levy Override	0		0		0	0
25 Transportation Fund	0		0		0	0
31 Bond Redemption Fund	3,167,034		1,866,421		1,638,200	2,395,256
39 Certificate of Participation (COP) Debt Service Fund	0		0		0	0
41 Building Fund	19,505		0		10,031	9,473
42 Special Building Fund	0		0		0	0
43 Capital Reserve Capital Projects Fund	541,722		16,867		284,640	673,340
<b>Total</b>	<b>6,324,939</b>		<b>21,778,315</b>		<b>24,015,721</b>	<b>5,758,578</b>
<b>Proprietary</b>						
50 Other Enterprise Funds	0		0		0	0
64 (63) Risk-Related Activity Fund	0		0		0	0
64,65-69 Other Internal Service Funds	0		0		0	0
<b>Total</b>	<b>0</b>		<b>0</b>		<b>0</b>	<b>0</b>
<b>Fiduciary</b>						
70 Other Trust and Agency Funds	0		0		0	0
72 Private Purpose Trust Fund	10,838		190		0	11,028
73 Agency Fund	0		0		0	0
74 Pupil Activity Agency Fund	567,140		781,588		773,889	574,839
79 GASB 34/Permanment Fund	0		0		0	0
85 Foundations	0		0		0	0
<b>Total</b>	<b>577,976</b>		<b>781,777</b>		<b>773,889</b>	<b>585,866</b>

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.