



South Rount School District RE-3

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2016



**RECEIVED**

*By Justin L. Smith at 11:03 am, Dec 07, 2016*

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

November 15, 2016

The Board of Education  
South Routt School District RE-3  
Oak Creek, Colorado

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

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

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

**Auditor's Responsibility**

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

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



South Routt School District No. RE-3  
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### **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 South Routt School District RE-3, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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, schedule of activity – net pension liability, and schedule of activity – employer pension contributions 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.

#### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Routt School District RE-3's basic financial statements. The combining statement and schedule for the nonmajor governmental funds, the budgetary comparison schedules, and the Auditor's Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

**South Routt School District RE-3  
Management's Discussion and Analysis  
As of and for the fiscal year ended June 30, 2016**

As management of the South Routt School District RE-3, Routt County, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the primary government for the fiscal year ended June 30, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$438,082 (*net position* for the primary reporting entity). Of this amount, (\$7,499,482) (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,665,957, a decrease of \$793,508 in comparison with the prior year. Of this amount, \$2,538 is *available for spending* at the District's discretion (*unassigned fund balance*).
- The main reason for the decrease in ending fund balances from the prior year is the unpaid property taxes by Peabody Energy. These property taxes were collected in full on November 10, 2016.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,538 or 0.05% of total general fund expenditures.
- The District's long-term obligations decreased by \$263,846 as a result of current year payments on bonded debt.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 11-40 are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**District-wide Financial Statements**

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

The *statement of net position* presents information about all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. The difference is reported as *net position*. Over time changes in net position may serve as a useful indicator whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The district-wide financial statements consolidated governmental activities that are supported from taxes and intergovernmental revenues and business-type activities that were intended to recover all or most of their costs from user fees and charges. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects, and special revenue funds. Business-type activities consisted of the food service fund. The food service fund is now more appropriately reported as a special revenue fund.

The district-wide financial statements can be found on pages **11-12**.

### **Fund Financial Statements**

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

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

Since the *governmental funds* and the *governmental activities* report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The District maintains five different governmental funds. The major funds are the general fund and the debt service fund. They are presented separately in the fund financial statements with the remaining governmental funds in a single column presentation labeled Non-major Governmental Funds.

The District adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

The governmental fund financial statements can be found on pages **13-17**.

**Proprietary funds.** The District previously maintained one type of proprietary fund. *Enterprise funds* are used to present the same functions as the *business-type activities* presented in the district-wide financial statements. The fund financial statements of the enterprise fund provided the same information as the district-wide financial statements only in more detail. The District currently has no enterprise funds. The Food Service Fund was an enterprise fund up until July 1, 2014, when it was reclassified to a governmental fund per the Colorado Department of Education.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are *not* reflected in the district-wide financial statement because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements are presented on page **18**.

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

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages **19-40** of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains certain *supplementary information* concerning the budget to actual comparison for all of the District's funds as well as information related to the net pension liability. Fund statements can be found on pages **41-47** of this report. The net pension liability schedules can be found on pages **48-49** of this report.

### **District-wide Financial Analysis**

#### **District-wide Net Position**

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District typically receives approximately 91% of the annual property tax assessment in March through June.

Capital assets are used in the operations of the District. These assets are land, buildings, equipment, and vehicles. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenue, interest payable, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2017. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after fiscal 2017.

The assets and deferred outflows of resources of the District activities exceed liabilities and deferred inflows of resources by \$438,082 with an unrestricted net position balance of (\$7,499,482). Total net position of the District does not include internal balances.

A net investment of \$6,546,260 in land, buildings, equipment, and vehicles to provide the services to the District's 348 public school students represents 1,494.3% of the District's net position. Net position of \$1,213,082 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR and multiple year commitment reserves are restricted.

Business-type activities did not occur in Fiscal Year 2015 or 2016, as the Food Service Fund was reclassified as a governmental fund per the Colorado Department of Education.

The following table shows net position for fiscal years 2016, 2015, and 2014.

**South Rount School District**  
**Condensed Statement of Net Position**

	Governmental Activities			Business-type Activities			Government Wide		
	6/30/2016	6/30/2015	6/30/2014	6/30/2016	6/30/2015	6/30/2014	6/30/2016	6/30/2015	6/30/2014
<b>Assets:</b>									
Current Assets	\$ 3,414,146	\$ 3,136,892	\$ 2,727,564	\$ -	\$ -	\$ 21,283	\$ 3,414,146	\$ 3,136,892	\$ 2,748,847
Capital Assets net of depreciation	10,726,597	11,409,862	12,091,090	-	-	12,297	10,726,597	11,409,862	12,103,387
<b>Total assets</b>	<b>14,140,743</b>	<b>14,546,754</b>	<b>14,818,654</b>	<b>-</b>	<b>-</b>	<b>33,580</b>	<b>14,140,743</b>	<b>14,546,754</b>	<b>14,852,234</b>
Deferred outflows	1,285,425	645,845	-	-	-	-	1,285,425	645,845	-
<b>Liabilities:</b>									
Current liabilities	555,813	618,336	1,209,169	-	-	17,076	555,813	618,336	1,226,245
Noncurrent liabilities	13,694,501	13,895,824	4,928,231	-	-	-	13,694,501	13,895,824	4,928,231
<b>Total liabilities</b>	<b>14,250,314</b>	<b>14,514,160</b>	<b>6,137,400</b>	<b>-</b>	<b>-</b>	<b>17,076</b>	<b>14,250,314</b>	<b>14,514,160</b>	<b>6,154,476</b>
Deferred inflows	737,772	342,039	-	-	-	-	737,772	342,039	-
<b>Net position:</b>									
Net investment in capital assets	6,546,260	6,518,154	6,581,090	-	-	12,297	6,546,260	6,518,154	6,593,387
Restricted	1,391,304	1,620,554	1,585,109	-	-	-	1,391,304	1,620,554	1,585,109
Unrestricted	(7,499,482)	(7,802,308)	515,055	-	-	4,207	(7,499,482)	(7,802,308)	519,262
<b>Total net position</b>	<b>\$ 438,082</b>	<b>\$ 336,400</b>	<b>\$ 8,681,254</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,504</b>	<b>\$ 438,082</b>	<b>\$ 336,400</b>	<b>\$ 8,697,758</b>

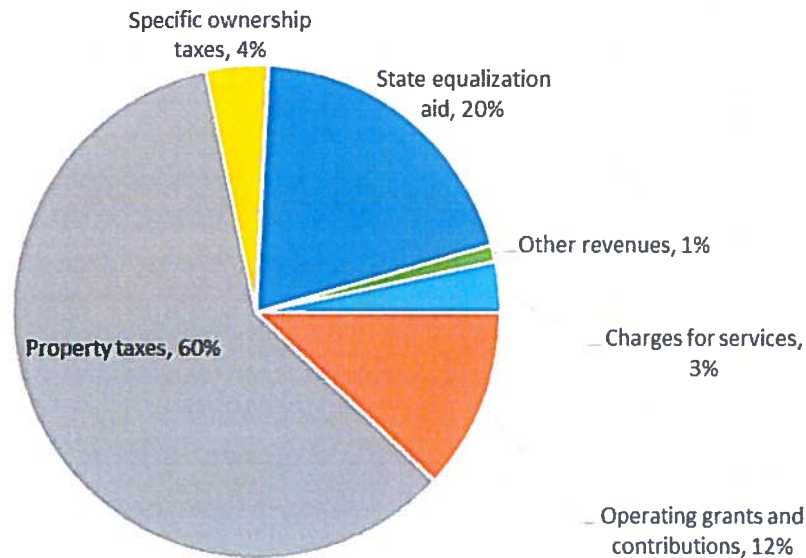
## District-wide Activities

- District-wide activities increased the net position of the District by \$101,682 during the year ended June 30, 2016. The cause of this increase relates to increased state equalization aid.

The following table shows the change in net position for fiscal years 2016, 2015, and 2014.

South Rount School District Condensed Statement of Changes in Net Position									
	Governmental Activities			Business-type Activities			Government Wide		
	6/30/2016	6/30/2015	6/30/2014	6/30/2016	6/30/2015	6/30/2014	6/30/2016	6/30/2015	6/30/2014
Revenues									
Program Revenues:									
Charges for services	\$ 218,516	\$ 163,410	\$ 35,151	\$ -	\$ -	\$ 79,781	\$ 218,516.00	\$ 163,410	\$ 114,932
Operating grants and contributions	775,436	813,337	410,913	-	-	72,481	775,436	813,337	483,394
Capital grants and contributions	-	-	149,755	-	-	-	-	-	149,755
General Revenues:									
Property taxes	3,886,875	3,871,466	4,016,125	-	-	-	3,886,875	3,871,466	4,016,125
Specific ownership taxes	270,860	275,390	250,392	-	-	-	270,860	275,390	250,392
Investment earnings	-	2,934	1,717	-	-	6	-	2,934	1,723
State equalization aid	1,290,128	1,122,775	846,370	-	-	-	1,290,128	1,122,775	846,370
Other revenues	68,460	38,116	115,805	-	-	-	68,460	38,116	115,805
<b>Total Revenues</b>	<b>6,510,275</b>	<b>6,287,428</b>	<b>5,826,228</b>	<b>-</b>	<b>-</b>	<b>152,268</b>	<b>6,510,275</b>	<b>6,287,428</b>	<b>5,978,496</b>
Expenses									
Governmental activities									
Instruction	3,870,274	3,763,917	3,733,817	-	-	-	3,870,274	3,763,917	3,733,817
Pupil support services	195,564	190,028	152,037	-	-	-	195,564	190,028	152,037
Instructional staff	114,250	244,610	225,219	-	-	-	114,250	244,610	225,219
General administration	412,039	403,117	383,923	-	-	-	412,039	403,117	383,923
School administration	247,283	203,629	188,888	-	-	-	247,283	203,629	188,888
Business services	250	-	-	-	-	-	250	-	-
Plant maintenance and operations	778,468	584,595	587,801	-	-	-	778,468	584,595	587,801
Transportation	276,764	274,480	293,196	-	-	-	276,764	274,480	293,196
Central support	223,229	190,983	192,196	-	-	-	223,229	190,983	192,196
Community services	-	-	345	-	-	-	-	-	345
Interest expenses	94,763	161,151	243,878	-	-	-	94,763	161,151	243,878
Food services	195,709	190,291	-	-	-	208,439	195,709	190,291	208,439
<b>Total expenses</b>	<b>6,408,593</b>	<b>6,206,801</b>	<b>6,001,300</b>	<b>-</b>	<b>-</b>	<b>208,439</b>	<b>6,408,593</b>	<b>6,206,801</b>	<b>6,209,739</b>
Excess before transfers and other	101,682	80,627	(175,072)	-	-	(56,171)	101,682	80,627	(231,243)
Transfers	-	-	(53,177)	-	-	53,177	-	-	-
Gain (loss) on sale of capital assets	-	-	-	-	-	(12)	-	-	(12)
<b>Change in net position</b>	<b>101,682</b>	<b>80,627</b>	<b>(228,249)</b>	<b>-</b>	<b>-</b>	<b>(3,006)</b>	<b>101,682</b>	<b>80,627</b>	<b>(231,255)</b>
Beginning net position	336,400	8,681,254	8,903,622	-	-	19,510	336,400	8,681,254	8,923,132
Change in accounting principles	-	(8,425,481)	-	-	-	-	-	(8,425,481)	-
Net Position - beginning restated	336,400	255,773	8,903,622	-	-	19,510	336,400	255,773	8,923,132
<b>Ending net position</b>	<b>\$ 438,082</b>	<b>\$ 336,400</b>	<b>\$ 8,675,373</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,504</b>	<b>\$ 438,082</b>	<b>\$ 336,400</b>	<b>\$ 8,691,877</b>

## Revenues by Source - Governmental Activities



### Financial Analysis of the District's Governmental Funds

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

The governmental funds of the District provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. Unrestricted fund balance, in particular, measures the District's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the District. Student enrollment decreased by 43 students during the fiscal year, due to 5 year averaging the Funded Pupil Count (FPC) was down 12.9 FTE. This decrease was offset by an increase of Per Pupil Funding (PPF) from \$9,149 to \$10,605. Total Program grew \$167,353 from the state's School Finance Act funding.

The bond redemption debt service fund has adequate resources accumulated to make the December 2016 principal and interest payments, The mill levy to accumulate resources for the June 2017 interest payments will be certified in December 2016.

The capital projects fund is accumulating resources to fund future capital improvements and acquisitions. Fund balance in this fund increased by \$138,892 during the current year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Property tax revenues increased approximately \$5,000 and State equalization decreased by \$52,730 due to recalculation of the finance formula.
- The vocational education grant increased by \$20,600 while other sources of income, including local and intermediate stayed level.

## Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2016 decreased to \$10,726,597 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment.

### South Routt School District RE-3 Capital Assets (net of accumulated depreciation) June 30, 2016

	Governmental Activities
Land	\$ 1,752,794
CIP	13,706
Buildings	8,838,573
Equipment	<u>121,524</u>
	<u>\$ 10,726,597</u>

Additional information on the District's capital assets can be found in note D on page 29 of this report.

At June 30, 2016, the District had total bonded debt outstanding of \$4,200,000 backed by the full faith and credit of the District.

### South Routt School District RE-3 Outstanding Debt June 30, 2016

	Governmental Activities
2014 G.O. Bonds	\$ 4,125,000
2008 G.O. Bonds	<u>75,000</u>
Total outstanding debt	<u>\$ 4,200,000</u>

Total long-term debt for the District decreased during the current fiscal year according to the normal schedule of payments.

The District maintains an "AAA" rating from Moody's for all general obligation debt, and an "AAA" rating from Standard & Poor's for the 2008 bonds.

State statutes limit the amount of general obligation debt to \$19,382,000, which is significantly in excess of the District's outstanding general obligation debt.

Additional information on the District's long-term obligations can be found in note E on pages 30-31.

## **Economic Factors and Next Year's Budgets and Rates**

### Budget

The current budget process is to examine each program using the prior year budget as a starting point. Increases for cost of living, step and education level, are granted when funding is adequate to accommodate increases, and District provided benefit cost increases for all approved staffing. This concept assumes existing staffing ratios are level and non-compensation budgets are continued to the next year unless specifically identified to change in the budget development process.

### School Report Cards

The State issues school report cards for every public school in the state. The report card gives each school a performance grade based on the state Colorado Student Assessment Program (CSAP) tests given to all students third through tenth grades. Eleventh graders are required to take the Scholastic Aptitude Test (SAT).

### **Requests for Information**

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

Audra Rettedal, Finance Director  
South Routt School District RE-3  
P.O. Box 158  
Oak Creek, CO 80467

South Routt School District RE-3  
STATEMENT OF NET POSITION  
June 30, 2016

		Governmental Activities
<b>ASSETS</b>		
Cash and investments	\$	2,025,504
Property taxes receivable (net)		1,249,485
Due from other governments		103,295
Other receivables		29,687
Inventories and prepaid expenses		6,175
Capital assets, net of accumulated depreciation		10,726,597
	Total assets	14,140,743
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred charge on refunded debt		118,039
Deferred outflows related to pension		1,167,386
	Total deferred outflows of resources	1,285,425
<b>LIABILITIES</b>		
Accounts payable and other accrued liabilities		269,089
Accrued compensation		277,208
Accrued interest		7,046
Unearned revenues		2,470
<b>Noncurrent Liabilities</b>		
Due within one year		
Bonds		748,162
Due in more than one year		
Bonds		3,550,214
Compensated absences		64,064
Net pension liability		9,332,061
	Total liabilities	14,250,314
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflows related to pension		737,772
	Total deferred inflows of resources	737,772
<b>NET POSITION</b>		
Net investment in capital assets		6,546,260
<b>Restricted for:</b>		
Debt service		1,213,082
TABOR		135,522
Multiple year commitments		42,700
Unrestricted		(7,499,482)
	Total net position	\$ 438,082

The notes to the financial statements are an integral part of this statement.

South Routt School District RE-3  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
<b>Governmental activities:</b>				
Instruction	\$ 3,870,274	\$ 146,443	\$ 620,469	- \$ (3,103,362)
Pupil support services	195,564	-	-	- (195,564)
Instructional staff	114,250	-	-	- (114,250)
General administration	412,039	-	-	- (412,039)
School administration	247,283	-	-	- (247,283)
Business services	250	-	-	- (250)
Maintenance and operations	778,468	448	26,112	- (751,908)
Transportation	276,764	-	57,304	- (219,460)
Central support	223,229	-	-	- (223,229)
Food service	195,709	71,625	71,551	- (52,533)
Interest on long-term debt	94,763	-	-	- (94,763)
<b>Total</b>	<b>\$ 6,408,593</b>	<b>\$ 218,516</b>	<b>\$ 775,436</b>	<b>\$ - (5,414,641)</b>
<b>General revenues:</b>				
<b>Property Taxes:</b>				
				3,069,655
Property taxes, levied for general purposes				817,220
Property taxes, levied for debt service				270,860
Specific ownership taxes				1,290,128
State equalization				8,664
Other state aid, mineral lease				17,860
Federal aid				4,808
Investment earnings				37,128
Miscellaneous				
			<b>Total general revenues</b>	<b>5,516,323</b>
Change in net position				101,682
Net position - beginning				336,400
Net position - ending				<b>\$ 438,082</b>

The notes to the financial statements are an integral part of this statement.

South Rount School District RE-3  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 687,065	\$ -	\$ 148,037	\$ 835,102
Investments	-	1,190,402	-	1,190,402
Property taxes receivable	986,311	263,174	-	1,249,485
Due from other governments	39,302	-	63,993	103,295
Due from other funds	-	-	140,000	140,000
Inventory	-	-	6,175	6,175
Other receivables	29,687	-	-	29,687
Total assets	<u>\$ 1,742,365</u>	<u>\$ 1,453,576</u>	<u>\$ 358,205</u>	<u>\$ 3,554,146</u>
<b>LIABILITIES</b>				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 268,657	\$ -	\$ 432	\$ 269,089
Accrued compensation	258,055	-	19,153	277,208
Due to other funds	75,965	-	64,035	140,000
Unearned revenues	-	-	2,470	2,470
Total liabilities	<u>602,677</u>	<u>-</u>	<u>86,090</u>	<u>688,767</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable property taxes	958,928	240,494	-	1,199,422
<b>FUND BALANCES</b>				
Nonspendable	-	-	6,175	6,175
Restricted				
Emergencies	135,522	-	-	135,522
Debt service	-	1,213,082	-	1,213,082
Multiple year commitments	42,700	-	-	42,700
Assigned to				
Other capital projects	-	-	261,841	261,841
Food service	-	-	4,099	4,099
Unassigned	2,538	-	-	2,538
Total fund balances	<u>180,760</u>	<u>1,213,082</u>	<u>272,115</u>	<u>1,665,957</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,742,365</u>	<u>\$ 1,453,576</u>	<u>\$ 358,205</u>	<u>\$ 3,554,146</u>

The notes to the financial statements are an integral part of this statement.

South Routt School District RE-3  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
 STATEMENT OF NET POSITION  
 June 30, 2016

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Total fund balances, governmental funds \$ 1,665,957

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$24,445,265 and the accumulated depreciation is \$13,718,668. 10,726,597

Deferred charge on refunded debt is not a financial resource and therefore is not reported as an asset in the governmental funds 118,039

Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds. 1,199,422

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds.  
 Long-term liabilities at year end consist of:

	Bonds payable	(4,200,000)	
	Bonds interest payable	(7,046)	
	Compensated absences	(64,064)	
	Premium on bonds	(98,376)	
	Net pension obligation	(9,332,061)	
	Deferred inflows related to pension	(737,772)	
	Deferred outflows related to pension	1,167,386	(13,271,933)

Total net position, governmental activities \$ 438,082

The notes to the financial statements are an integral part of this statement.

South Routt School District RE-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2016

	General Fund	Debt Service Fund	Non-major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Property taxes	\$ 2,163,509	\$ 591,397	\$ -	\$ 2,754,906
Specific ownership taxes	270,860	-	-	270,860
Federal sources	181,274	-	84,481	265,755
State sources				
Equalization	1,290,128	-	-	1,290,128
Transportation	57,304	-	-	57,304
Other State	227,393	-	7,877	235,270
County sources, merial leases	8,664	-	-	8,664
Local and intermediate sources	312,796	-	177,815	490,611
Interest	616	3,750	442	4,808
Total revenues	<u>4,512,544</u>	<u>595,147</u>	<u>270,615</u>	<u>5,378,306</u>
<b>EXPENDITURES</b>				
Current				
Instruction services	2,975,896	-	13,163	2,989,059
Supporting services				
Pupil support services	179,163	-	5,868	185,031
Instructional staff	112,346	-	1,776	114,122
General administration	387,976	-	-	387,976
School administration	230,898	-	-	230,898
Business services	250	-	-	250
Operations and maintenance	632,409	-	-	632,409
Transportation	254,998	-	-	254,998
Central support	223,229	-	-	223,229
Food services	-	-	185,102	185,102
Capital outlay	51,243	-	109,747	160,990
Debt service				
Principal	-	715,000	-	715,000
Interest	-	92,450	-	92,450
Other	-	300	-	300
Total expenditures	<u>5,048,408</u>	<u>807,750</u>	<u>315,656</u>	<u>6,171,814</u>
Excess of revenues over (under) expenditures	(535,864)	(212,603)	(45,041)	(793,508)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	190,000	190,000
Transfers out	(190,000)	-	-	(190,000)
Total other financing sources and uses	<u>(190,000)</u>	<u>-</u>	<u>190,000</u>	<u>-</u>
Net change in fund balances	(725,864)	(212,603)	144,959	(793,508)
Fund balance, beginning of year	906,624	1,425,685	127,156	2,459,465
Fund balance, end of year	<u>\$ 180,760</u>	<u>\$ 1,213,082</u>	<u>\$ 272,115</u>	<u>\$ 1,665,957</u>

The notes to the financial statements are an integral part of this statement.

South Routt School District RE-3  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2016

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Total net change in fund balances, governmental funds \$ (793,508)

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

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.

Depreciation expense	(717,057)	
Capital outlays	<u>33,792</u>	(683,265)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 715,000

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount. 1,131,969

In the governmental funds, expenditures for compensated absences and pensions are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the benefits are earned by employees during the year. These amounts (increased) decreased as follows:

Compensated absences	(8,046)	
Pension expense	<u>(258,155)</u>	(266,201)

Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Amortization of loss on refunding	(21,791)	
Bond premium accretion	<u>18,162</u>	(3,629)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,316

Change in net position, governmental activities \$ 101,682

The notes to the financial statements are an integral part of this statement.

South Rount School District RE-3  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
GENERAL FUND  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
<b>REVENUES</b>				
Property taxes	\$ 3,196,280	\$ 2,999,900	\$ 2,163,509	\$ (836,391)
Specific ownership taxes	280,000	280,000	270,860	(9,140)
Federal sources	179,750	142,500	181,274	38,774
State sources				
Equalization	1,120,810	1,277,000	1,290,128	13,128
Transportation	62,000	55,000	57,304	2,304
Other State	129,500	155,300	227,393	72,093
County sources, mineral leases	8,500	9,000	8,664	(336)
Local and intermediate sources	176,600	300,300	312,796	12,496
Interest	1,500	1,500	616	(884)
Total revenues	<u>5,154,940</u>	<u>5,220,500</u>	<u>4,512,544</u>	<u>(707,956)</u>
<b>EXPENDITURES</b>				
Current				
Instruction services	2,919,590	3,047,511	2,989,936	57,575
Supporting services				
Pupil support services	142,340	141,234	179,177	(37,943)
Instructional staff	165,040	177,236	112,346	64,890
General administration	357,390	391,912	389,676	2,236
School administration	267,870	267,879	231,194	36,685
Business services	-	-	250	(250)
Operations and maintenance	561,100	513,209	648,264	(135,055)
Transportation	266,880	243,839	254,998	(11,159)
Central support	195,370	232,680	228,492	4,188
Food Service	-	-	14,075	(14,075)
Contingency	115,740	906,624	-	906,624
Total expenditures	<u>4,991,320</u>	<u>5,922,124</u>	<u>5,048,408</u>	<u>873,716</u>
Excess of revenues over (under) expenditures	163,620	(701,624)	(535,864)	165,760
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(199,790)	(205,000)	(190,000)	15,000
Total other financing sources and uses	<u>(199,790)</u>	<u>(205,000)</u>	<u>(190,000)</u>	<u>15,000</u>
Net change in fund balances	(36,170)	(906,624)	(725,864)	180,760
Fund balance, beginning of year	36,170	906,624	906,624	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 180,760</u>	<u>\$ 180,760</u>

The notes to the financial statements are an integral part of this statement.

South Rount School District RE-3  
 STATEMENT OF FIDUCIARY NET POSITION  
 JUNE 30, 2016

	Student Activity Agency Funds	Endowment Promotion Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 48,292	\$ 7,941	\$ 56,233
Total assets	<u>\$ 48,292</u>	<u>\$ 7,941</u>	<u>\$ 56,233</u>
<b>LIABILITIES</b>			
Due to student groups	\$ 48,292	\$ 7,941	\$ 56,233
Total liabilities	<u>\$ 48,292</u>	<u>\$ 7,941</u>	<u>\$ 56,233</u>

The notes to the financial statements are an integral part of this statement.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of South Routt School District RE-3 (District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

In conformance with GASB, South Routt School District RE-3, Routt County, Oak Creek, Colorado, is the reporting entity for financial report purposes. The District is the primary government financially accountable for all activities of public school instruction within the geographical area organized as South Routt School District RE-3. The District meets the criteria of a primary government: its Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

The financial statements of the District include all funds that are controlled by or are fiscally dependent upon the Board of Education. Control by or dependence on the Board of Education is determined on the basis of budget adoption, taxing authority, outstanding debt which may be secured by general obligation of the District, and the responsibility of the District to finance debt or make subsidies to funds.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. There are currently no *business-type activities*.

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

South Rount School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period.

The Education Fund Board collects sales taxes and remits to the District upon grant approval. Sales taxes collected by the Education Fund Board are considered to be susceptible to accrual.

All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

The *debt service fund* accounts for and reports the financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Additionally, the District reports the following fund type:

*Fiduciary funds.* The pupil activity fund is used to account for revenues and expenditures associated with class and club activities. The endowment promotion fund is used to account for revenues and expenditures associated with publicly raised funds held as a restricted endowment.

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

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Equity

***Deposits and Investments***

The District's cash consists of cash on hand and demand deposits. The investments are in an external investment pool with ColoTrust.

***Receivables and Payables***

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

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessor generally as of January 1st of each year. The levy is set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year. The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30th or, if in equal installments, at the taxpayer's election on February 28th and June 15th. Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

Property tax revenues are recognized when they become both measurable and available to finance expenditures of the current period. Property taxes receivable are recognized or collected in advance of the period for which they are levied, they are recorded as deferred inflows and recognized as revenue in the period for which they are levied.

***Inventories***

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

South Rount School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	20-50
Building improvements	7-50
Vehicles and equipment	5-30

***Compensated Absences***

Each employee of the District may accumulate sick leave, payable upon termination to the employee after a minimum of five consecutive years of service, at one-tenth of one percent per day of the licensed staff base salary, with a maximum of eighty days. The District accrues a liability in the appropriate funds for compensated absences, which meet the following criteria:

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

***Accrued Salaries***

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1, to August 30, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2016, are reflected in the financial statements as an accrued liability.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Long-Term Obligations***

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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.

***Deferred Outflows/Inflows of Resources***

In addition to assets, the statement of net position or balance sheet 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 and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position or balance sheet 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.

***Fund Equity***

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 types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *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.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution approved by the Board of Education. Amounts can be un-committed only by action of the Board of Education.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance allows the Board of Education to delegate the authority to spend to the Superintendent or designee.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

**South Routt School District's Comprehensive Fund Balance Policy:**

**Order of Fund Balance Spending Policy**

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

It is possible for the non-general funds to have negative unassigned fund balance when nonspendable amounts plus the restricted fund balances for specific purposes amounts exceed the positive fund balance for the non-general fund.

**Fund Balance Reporting as a result of the District's Comprehensive Fund Balance Policy**

**Nonspendable:**

The Food Service fund has nonspendable funds related to inventory of \$6,175.

**Assigned:**

The Capital Projects fund assigns \$261,841 for future capital projects.

The Food Service fund assigns \$4,099 for food service operations.

**Restricted:**

Emergency Reserves: Tax, Spending and Debt Limitations amendment requires local governments to establish Emergency Reserves. The District has restricted \$135,522 of fund balance for this reserve. See Note F for further information regarding the limitations of this State amendment.

The General fund has also restricted \$42,700 for multiple year commitments related to the Superintendent's contract.

Debt Service restricts \$1,213,082 for debt service payments stipulated by bond documents.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Use of Estimates*

The preparation of financial statements, in conformity with GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities, deferred inflows, revenues, and expenditures/expenses. Actual results could differ from these estimates. The District believes the techniques and assumptions used in establishing these estimates are appropriate.

5. Jointly Governed Organization

Northwest Colorado Board of Cooperative Educational Services - The District is one of six school districts, which are members of the Northwest Colorado Board of Cooperative Educational Services (BOCES). The BOCES is a regional education service unit created under the "Board of Cooperative Services Act of 1965" of the Colorado Revised Statutes. The BOCES provides unique education services that the member districts could not provide individually on a cost-effective basis. A board made up of representatives from each member district's board governs the BOCES. The governing board is autonomous as to budgeting and fiscal matters. The BOCES is not fiscally dependent upon the District and is considered a jointly governed organization.

6. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the Governmental Funds. The appropriated budget is prepared by fund. The District's department heads may not make transfers of appropriations. The legal level of control is the fund level. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Finance Director. The Designated Grants Fund received additional grants during the year which were not appropriated causing expenditures to exceed budgeted appropriations. This may be a violation of Colorado Statutes.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. The Board of Education may authorize supplemental appropriations during the year. Supplemental appropriations were necessary during the fiscal year ended June 30, 2016.

Revenues for the General Fund are budgeted in accordance with the Colorado School Finance Formula, based on student count. Funded pupils for the fiscal year ended June 30, 2016 were 360.6.

7. 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.

**NOTE B - DEPOSITS AND INVESTMENTS**

*Deposits*

Custodial Credit Risk – Deposits. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is specified by the PDPA. The PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The State Regulatory Commission for banks and savings and loan associations is required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At June 30, 2016, the District's cash deposits had a book balance of \$241,233, and a corresponding bank balance of \$317,296. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The bank balance of \$250,000 was covered by federal deposit insurance. The remaining \$67,296 was in PDPA covered accounts.

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**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

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

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

State statutes do not address custodial risk.

At June 30, 2016, the District's deposits, classified as investments, are as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Total Fair Value</u>
COLOTRUST	Less than 1 year	\$ 1,840,504
	Total	<u>\$ 1,840,504</u>

Interest Rate Risk – Colorado Revised Statute 24-75-601 limits investment maturities to five year or less, as a means of managing exposure to fair value loss resulting from increasing interest rates.

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agencies. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies. As of June 30, 2015, the local government investment pools in which the District participates, COLOTRUST, was rated AAAM by Standard and Poor's, and maintain a constant net asset value of \$1 per share.

Concentration Risk – At June 30, 2016, the District's investment in COLOTRUST represented 100% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

Local government investment pools – Government investment pools are valued at amortized cost with each share valued at \$1.00. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U.S. Treasury Notes and other similar investments. Financial statements for the District's government investment pools are available at [www.colotrust.com](http://www.colotrust.com).

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**NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED**

The following table is a reconciliation of the primary government's cash and investments on the statement of net position.

Cash in banks	\$	241,233
Investments		<u>1,840,504</u>
Total	\$	<u><u>2,081,737</u></u>
Statement of Net Position:		
Cash and investments	\$	2,025,504
Statement of Fiduciary Net Position:		
Cash and cash equivalents		<u>56,233</u>
Total Cash and investments	\$	<u><u>2,081,737</u></u>

**NOTE C - INTERFUND BALANCES**

Interfund receivables and payables at June 30, 2016 were as follows:

Fund	Receivable	Payable
General	\$ -	\$ 75,965
Nonmajor	<u>140,000</u>	<u>64,035</u>
	<u>\$ 140,000</u>	<u>\$ 140,000</u>

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

Interfund transfers made during the year ended June 30, 2016 were as follows:

Fund	Transfer in	Transfer out
General	\$ -	\$ 190,000
Nonmajor	<u>190,000</u>	<u>-</u>
	<u>\$ 190,000</u>	<u>\$ 190,000</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, and (2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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**NOTE D - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 was as follows:

	<u>Balance</u> <u>July 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2016</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated				
Land	\$ 1,082,075	\$ -	\$ -	\$ 1,082,075
Site	670,719	-	-	670,719
Construction in progress	<u>-</u>	<u>13,706</u>	<u>-</u>	<u>13,706</u>
Total capital assets, not being depreciated	1,752,794	13,706	-	1,766,500
Capital assets, being depreciated:				
Buildings	5,526,548	-	-	5,526,548
Site improvements	15,921,173	5,860	-	15,927,033
Equipment	1,054,131	-	-	1,054,131
Food service equipment	<u>156,827</u>	<u>14,226</u>	<u>-</u>	<u>171,053</u>
Total capital assets being depreciated	22,658,679	20,086	-	22,678,765
Less accumulated depreciation:				
Buildings	4,821,091	35,390	-	4,856,481
Site improvements	7,096,559	661,968	-	7,758,527
Equipment	936,560	15,745	-	952,305
Food service equipment	<u>147,401</u>	<u>3,954</u>	<u>-</u>	<u>151,355</u>
Total accumulated depreciation	<u>13,001,611</u>	<u>717,057</u>	<u>-</u>	<u>13,718,668</u>
Total capital assets being depreciated, net	<u>9,657,068</u>	<u>(696,971)</u>	<u>-</u>	<u>8,960,097</u>
Governmental activities capital assets, net	<u>\$ 11,409,862</u>	<u>\$ (683,265)</u>	<u>\$ -</u>	<u>\$ 10,726,597</u>

Depreciation expense was charged to functions/programs of the primary government's activities as follows:

Instruction	\$ 701,548
Transportation	8,783
Food service	3,954
Plant maintenance	<u>2,772</u>
Total governmental activities	<u>\$ 717,057</u>

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE E - LONG-TERM OBLIGATIONS**

*General Obligation Facilities and Improvement Bonds.* General Obligation Bonds, series 2008, denominations of \$5,000, dated January 10, 2008, total issue \$1,570,000. The bonds were issued for the purpose of replacing and relocating a boiler, to repair and improve District facilities, and to pay the cost of issuance of the bonds. Interest, at a rate of 3.25% to 4.00% is payable at each June 1 and December 1. Principal is due beginning December 1, 2009, and each year thereafter to December 1, 2021. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest. The Bonds were partially refunded with the Series 2014 General Obligation Refunding Bonds.

Annual debt service requirements to maturity for the general government bonds are as follows:

Fiscal Year Ending

<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 1,500	\$ 75,000	\$ 76,500
Total	<u>\$ 1,500</u>	<u>\$ 75,000</u>	<u>\$ 76,500</u>

*General Obligation Refunding Bonds.* General Obligation Refunding Bonds, series 2014, denominations of \$5,000, dated September 3, 2014, total issue \$4,825,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 1.5% to 2.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2021. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

Annual debt service requirements to maturity for the general government bonds are as follows:

Fiscal Year Ending

<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2017	\$ 76,638	\$ 655,000	\$ 731,638
2018	66,175	740,000	806,175
2019	53,075	755,000	808,075
2020	37,825	770,000	807,825
2021	20,313	785,000	805,313
2022	<u>5,250</u>	<u>420,000</u>	<u>425,250</u>
Total	<u>\$ 259,276</u>	<u>\$ 4,125,000</u>	<u>\$ 4,384,276</u>

South Routt School District RE-3  
 NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE E - LONG-TERM OBLIGATIONS - CONTINUED**

Total debt service requirements to maturity of general obligations bonds outstanding, for the General Obligation Facilities and Improvement, and Refunding Bonds, Series 2008 and Series 2014 are as follows:

Fiscal Year Ending		<u>Interest</u>	<u>Principal</u>	<u>Total</u>
June 30,				
2017	\$	78,138	\$ 730,000	\$ 808,138
2018		66,175	740,000	806,175
2019		53,075	755,000	808,075
2020		37,825	770,000	807,825
2021		20,313	785,000	805,313
2022		5,250	420,000	425,250
Total	\$	<u>260,776</u>	<u>\$ 4,200,000</u>	<u>\$ 4,460,776</u>

*Changes in Long-Term Debt.* During the period ended June 30, 2016, the following changes occurred in liabilities reported in long-term debt:

	<u>Balance</u> <u>6/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/16</u>	<u>Due within</u> <u>one year</u>
General obligation bonds 2008	\$ 150,000	\$ -	\$ 75,000	\$ 75,000	\$ 75,000
General obligation bond 2014	4,765,000	-	640,000	4,125,000	655,000
Bond premium, 2014 bonds	116,538	-	18,162	98,376	18,162
Compensated absences	56,018	8,046	-	64,064	-
	<u>\$ 5,087,556</u>	<u>\$ 8,046</u>	<u>\$ 733,162</u>	<u>\$ 4,362,440</u>	<u>\$ 748,162</u>

Liabilities for compensated absences are liquidated by the General Fund.

*Defeased debt.* Certain outstanding general obligation bonds of the District have been defeased by placing the proceeds of refunding bonds in an irrevocable escrow account held and managed by bank trustees, invested in federal securities, the principal and interest on which would provide amounts sufficient to pay the principal and interest on the defeased bonds in accordance with the schedule of remaining payments due. Accordingly, the escrow account and defeased bonds are not included in the District's financial statements. Defeased debt outstanding is \$1,055,000.

**NOTE F - TAX, SPENDING, AND DEBT LIMITATION**

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted in the General Fund at June 30, 2016 for *TABOR* equaled \$135,522. The District restricts a portion of its fund balance in further compliance with *TABOR*.

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**NOTE F - TAX, SPENDING, AND DEBT LIMITATION - CONTINUED**

In November 1997, voters passed a referendum allowing the District to keep and spend any excess revenues received during the year ended June 30, 1997, and each subsequent year thereafter.

**NOTE G - CONTINGENCIES**

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

**NOTE H - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

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

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100% 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% 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.

South Routt School District RE-3  
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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

	For the Calendar Year Ended December 31, 2015	For the Calendar Year Ended December 31, 2016
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%
<b>Total Employer Contribution Rate to the SCHDTF<sup>1</sup></b>	<b>17.33%</b>	<b>18.13%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$474,283 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$9,332,061 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 0.061017%, which was a decrease of 0.003973 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$732,439. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 123,231	\$ 414
Changes of assumptions or other inputs	–	131,879
Net difference between projected and actual earnings on pension plan investments	802,774	–
Changes in proportion and differences between contributions recognized and proportionate share of contributions	–	605,479
Contributions subsequent to the measurement date	241,381	–
Total	\$ 1,167,386	\$ 737,772

\$241,381 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	(64,533)
2018	(26,529)
2019	116,582
2020	162,713
2021	–
Thereafter	–

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90-10.10 percent
Long-term investment rate of return, net of pension Plan investment expenses, including price inflation	7.50 percent
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

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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

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.

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's 15, 2013 and January 17, 2014.

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:.

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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
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 Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. 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%.
- 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 estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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**NOTE H – DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

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

*Sensitivity of the District 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$12,097,078	\$9,332,061	\$7,032,082

*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/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE I - POSTEMPLOYMENT HEALTH CARE BENEFITS**

*Plan Description.* The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF 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 CRS, as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

*Funding Policy.* The District is required to contribute at a rate of 1.02% of PERA includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending June 30, 2014, 2015, and 2016, the District's employer contributions to HCTF were \$29,000, \$26,325, and \$27,288, equal to their required contributions for each year.

**NOTE J - DEFINED CONTRIBUTION 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).

*Funding Policy.* The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$17,500 for the calendar year 2014 and \$18,000 for 2015, and \$18,000 for the 2016). In addition, catch-up contributions, up to \$5,500 for the calendar year 2014, \$6,000 for 2015, and \$6,000 for 2016 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC section 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the years ended June 30, 2014, 2015, and 2016.

South Routt School District RE-3  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**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; and natural disasters. The District has joined other school districts in the Colorado School District Self Insurance Pool (CSDSIP), a public entity risk pool operating as a common risk management and insurance program for member districts. The District pays an annual contribution to CSDSIP for its property and casualty insurance coverage. The agreement with CSDSIP provides that the pool will be financially self-sustaining through member contribution and additional assessments, if necessary. The pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**NOTE L - STATE INTEREST FREE LOAN PROGRAM**

During the year ended June 30, 2016, the District borrowed \$1,265,000 from the state-sponsored interest-free loan program to provide cash flow throughout the fiscal year. The loan was paid in full by June 30, 2016, from property taxes received primarily from February through June 2016.

**NOTE M - INSURANCE RECOVERIES**

During the year, the District received \$19,739 in insurance recoveries related to damages in one of the District's buildings. The recoveries have been classified as local source revenue in the General Fund and as charges for services in the government-wide statement of activities under the operations and maintenance function.

**NOTE N - SUBSEQUENT EVENTS**

During the 2015/2016 school year property tax receivable in regards to amounts owed by a major taxpayer were not remitted to the Routt County Treasurer. These amounts are represented in the property taxes receivable for both the General and Bond funds. Due to the large amount of outstanding receivables the State Board of Education approved a contingency reserve fund payment to the District of \$1,000,000 which was received in July 2016. Also state equalization was accelerated to be received by the District to cover cash flow resulting in another \$1,000,000 being received in July 2016 and \$300,000 in August 2016. The contingency reserve payment upon reception of paid taxes by the above mentioned taxpayer will be expected to be repaid to the State Board of Education. Subsequent to year end, the taxpayer had repaid the Treasurer and the Treasurer remitted the tax payment to the District on November 10, 2016.

South Routt School District RE-3  
BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2016

	Food Service Fund	Designated Grants Fund	Capital Reserve Fund	Total Nonmajor Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 26,196	\$ -	\$ 121,841	\$ 148,037
Due from other governments	-	63,993	-	63,993
Due from other funds	-	-	140,000	140,000
Inventory	6,175	-	-	6,175
Total assets	<u>\$ 32,371</u>	<u>\$ 63,993</u>	<u>\$ 261,841</u>	<u>\$ 358,205</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 432	\$ -	\$ -	\$ 432
Accrued compensation	19,153	-	-	19,153
Due to other funds	42	63,993	-	64,035
Unearned revenues	2,470	-	-	2,470
Total liabilities	<u>22,097</u>	<u>63,993</u>	<u>-</u>	<u>86,090</u>
Fund balances				
Nonspendable	6,175	-	-	6,175
Assigned to				
Other capital projects	-	-	261,841	261,841
Food service	4,099	-	-	4,099
Total fund balances	<u>10,274</u>	<u>-</u>	<u>261,841</u>	<u>272,115</u>
Total liabilities and fund balances	<u>\$ 32,371</u>	<u>\$ 63,993</u>	<u>\$ 261,841</u>	<u>\$ 358,205</u>

South Routt School District RE-3  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 NONMAJOR GOVERNMENTAL FUNDS  
 For the Year Ended June 30, 2016

	Food Service Fund	Designated Grants Fund	Capital Projects Fund	Total Nonmajor Funds
<b>REVENUES:</b>				
Federal sources	\$ 69,542	\$ 14,939	\$ -	\$ 84,481
State sources	2,009	5,868	-	7,877
Local and intermediate sources	71,638	106,177	-	177,815
Interest	-	-	442	442
Total revenues	<u>143,189</u>	<u>126,984</u>	<u>442</u>	<u>270,615</u>
<b>EXPENDITURES</b>				
Current:				
Instructional Services	-	13,163	-	13,163
Pupil support services	-	5,868	-	5,868
Instructional Staff	-	1,776	-	1,776
Central Support	-	-	-	-
Food services	185,102	-	-	185,102
Capital outlay	2,020	106,177	1,550	109,747
Total expenditures	<u>187,122</u>	<u>126,984</u>	<u>1,550</u>	<u>315,656</u>
Excess of revenues over (under) expenditures	(43,933)	-	(1,108)	(45,041)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	50,000	-	140,000	190,000
Total other financing sources and uses	<u>50,000</u>	<u>-</u>	<u>140,000</u>	<u>190,000</u>
Net change in fund balances	6,067	-	138,892	144,959
Fund balance, beginning of year	4,207	-	122,949	127,156
Fund balance, end of year	<u>\$ 10,274</u>	<u>\$ -</u>	<u>\$ 261,841</u>	<u>\$ 272,115</u>

South Routt School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
FOOD SERVICE FUND  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Federal sources	\$ 57,000	\$ 67,000	\$ 69,542	\$ 2,542
State sources	1,810	1,810	2,009	199
Local and intermediate sources	79,590	79,590	71,638	(7,952)
Total revenues	138,400	148,400	143,189	(5,211)
<b>EXPENDITURES</b>				
Current				
Supporting services				
Food service	223,950	213,400	187,122	26,278
Contingency	-	4,207	-	4,207
Total expenditures	223,950	217,607	187,122	30,485
Excess of revenues over (under) expenditures	(85,550)	(69,207)	(43,933)	25,274
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	75,550	65,000	50,000	(15,000)
Net change in fund balances	(10,000)	(4,207)	6,067	10,274
Fund balance, beginning of year	4,207	4,207	4,207	-
Fund balance, end of year	\$ (5,793)	\$ -	\$ 10,274	\$ 10,274

South Routt School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
DESIGNATED GRANTS FUND  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Local	\$ 189,300	\$ 174,300	\$ 106,177	\$ (68,123)
State sources	3,000	-	5,868	5,868
Federal sources	171,790	178,100	14,939	(163,161)
Total revenues	<u>364,090</u>	<u>352,400</u>	<u>126,984</u>	<u>(225,416)</u>
<b>EXPENDITURES</b>				
Current				
Instructional services	251,490	257,800	119,340	138,460
Pupil support services	40,000	25,000	5,868	19,132
Instructional staff	52,600	49,600	1,776	47,824
Central support	20,000	20,000	-	20,000
Total expenditures	<u>364,090</u>	<u>352,400</u>	<u>126,984</u>	<u>225,416</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

South Rount School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
CAPITAL RESERVE FUND  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Earnings on investments	\$ -	\$ -	\$ 442	\$ 442
Total revenues	-	-	442	442
<b>EXPENDITURES</b>				
Capital outlay	155,730	262,949	1,550	261,399
Total expenditures	155,730	262,949	1,550	261,399
Excess of revenues over (under) expenditures	(155,730)	(262,949)	(1,108)	261,841
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	138,690	140,000	140,000	-
Total other financing sources	138,690	140,000	140,000	-
Net change in fund balances	(17,040)	(122,949)	138,892	261,841
Fund balance, beginning of year	17,040	122,949	122,949	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,841</u>	<u>\$ 261,841</u>

South Routt School District RE-3  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL  
DEBT SERVICE FUND  
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 848,930	\$ 820,000	\$ 591,397	\$ (228,603)
Earning on investments	-	3,000	3,750	750
Total revenues	848,930	823,000	595,147	(227,853)
<b>EXPENDITURES</b>				
Debt service				
Principal	645,000	715,000	715,000	-
Interest	200,130	92,450	92,450	-
Other	3,800	5,000	300	4,700
Contingency	-	1,425,685	-	1,425,685
Total expenditures	848,930	2,238,135	807,750	1,430,385
Excess of revenues over (under) expenditures	-	(1,415,135)	(212,603)	1,202,532
Fund balance, beginning of year	-	1,425,685	1,425,685	-
Fund balance, end of year	\$ -	\$ 10,550	\$ 1,213,082	\$ 1,202,532

South Routt School District RE-3  
SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
For the Year Ended June 30, 2016

	Student Activity Agency Funds	Endowment Promotion Fund	Total
<b>Additions</b>			
Fund raising events	\$ 168,883	\$ -	\$ 168,883
Total additions	168,883	-	168,883
<b>Deductions</b>			
Athletic/Activity expenditures	169,902	-	169,902
Total deductions	169,902	-	169,902
Change in activity funds	(1,019)	-	(1,019)
Due to student groups, beginning of year	49,311	7,941	57,252
Due to student groups, end of year	\$ 48,292	\$ 7,941	\$ 56,233
Appropriations	\$ 349,311	\$ 12,441	
Expenditures	169,902	-	
Variance positive (negative)	179,409	12,441	

South Rount School District RE-3

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.064990%	\$ 8,808,268	\$ 2,705,094	326%	63%
December 31, 2015	0.061017%	9,332,061	2,658,341	351%	59%

South Routt School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 435,873	\$ 435,873	\$ -	\$ 2,580,911	16.89%
June 30, 2016	474,283	474,283	-	2,675,315	17.73%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 2780 - SOUTH ROUTT RE 3  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

Fund Type & Number	Revenues, Expenditures, & Fund Balance by Fund		1000 - 5999 Total Revenues & Expenditures & Other Uses		6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	
<b>Governmental</b>					
10 General Fund	906,622		4,322,564	5,048,405	190,760
18 Post. Mgmt Sub-Fund of General Fund	0	0	0	0	0
19 Colorado Proxyczo, Program Fund	0	0	0	0	0
<b>Sub-Total</b>	<b>906,622</b>		<b>4,322,564</b>	<b>5,048,405</b>	<b>180,760</b>
11 Charter School Fund	0	0	0	0	0
20-26-29 Special Revenue Fund	0	0	0	0	0
21 Food Service Spec Revenue Fund	4,207		193,189	187,121	10,275
22 Govt Designated Purpose Grants Fund	0	0	126,983	126,983	0
23 Pupil Activity Special Revenue Fund	0	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0	0
25 Transportation Fund	0	0	0	0	0
31 Bond Refempor Fund	1,425,685		595,147	807,750	1,213,082
36 Certificate of Participation (CO) Debt Service Fund	0	0	0	0	0
41 Building Fund	0	0	0	0	0
42 Special Building Fund	0	0	0	0	0
43 Capital Reserve Capital Projects Fund	122,949		140,442	1,550	261,841
<b>Totals</b>	<b>2,459,463</b>		<b>5,378,305</b>	<b>6,171,810</b>	<b>1,665,959</b>
<b>Proprietary</b>					
50 Other Enterprise Funds	0	0	0	0	0
64 (e3) Risk-Related Activity Fund	0	0	0	0	0
60-65-69 Other Internal Service Funds	0	0	0	0	0
<b>Totals</b>	<b>0</b>		<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>					
70 Other Trust and Agency Funds	0	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0	0
73 Agency Fund	7,941		0	0	7,941
74 Pupil Activity Agency Fund	49,311		168,883	169,902	48,292
79 GASB 34 Permanent Fund	0	0	0	0	0
85 Foundations	0	0	0	0	0
<b>Totals</b>	<b>57,251</b>		<b>168,883</b>	<b>169,902</b>	<b>56,232</b>
					<b>FINAL</b>

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