

**Garfield County School District No. 16**

**Financial Report**

**June 30, 2017**



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**Garfield County School District No. 16  
Financial Report  
June 30, 2017**

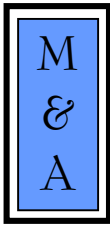
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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Education  
Garfield County School District No. 16  
Parachute, Colorado**

### ***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District No. 16, (the "District"), as of and for the year ended June 30, 2017, 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes 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 assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considered internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluation of the appropriateness of accounting policies used and the reasonableness of significant account estimates made by management, as well as evaluating the overall financial statement presentation.

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

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S OPINION  
To the Board of Education  
Garfield County School District No. 16**

***Opinions***

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District No. 16, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions in Section E, 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.

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as whole. The combining fund financial statements, individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as whole.

**INDEPENDENT AUDITOR'S OPINION**  
**To the Board of Education**  
**Garfield County School District No. 16**

***Other Matters (continued)***

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**December 13, 2017**

Garfield County School District No. 16

Management's Discussion and Analysis



# Garfield County School District No. 16

## Management Discussion and Analysis

As management of Garfield County School District No. 16 (the "District"), we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with the District's financial statement, which follow this section.

### Financial Highlights

The District had the following financial results in 2017:

- The District's General Fund balance at the end of fiscal year 2017 was \$2,728,014. This is a decrease from the prior year of \$613,058.
- The District's ending General Fund balance consists of 21% of the current year expenditures and transfers of \$12,734,265.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

**Government-wide Financial Statements** – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial health of the District.

The *statement of activities* presents information showing how the District's net position changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event effecting the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The category that is reported in the District-wide financial statements is as follows:

- **Governmental activities:** All of the District's basic services are included here, such as instructional services, support services, food services, and student activities.

The government-wide financial statements can be found on pages C1 and C2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the District by fund instead of the District as a whole. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

### **Government Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, the Grant Fund, the Bond Redemption Fund, and the Building Fund.

The District adopts an annual appropriated budget for all of its funds. A budgetary comparison statement has been provided for all funds to demonstrate compliance with state budget statutes.

The basic major governmental fund statements start on page C3.

### **Fiduciary Funds**

The District is the agent, or fiduciary, for assets that belong to others, such as the Student Activity Fund. The District is responsible for ensuring the assets reported in this fund are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the governmental-wide financial statements because it cannot use these assets to finance its operations. The basic fiduciary financial statements can be found on page C7.

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

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a district's financial position. For the year ended June 30, 2017, the District's total net position was \$13,785,486, which included the District's net pension liability of \$47,211,841. This net pension liability is the District's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado. This was determined by an actual valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The assets of the District are classified as current assets and capital assets. Current 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 process, with the majority of these taxes received in March, May, and June.

Capital assets are made up of land, construction in progress, buildings, and equipment/vehicles. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future.

### Summary of Net Position

The following table provides a summary of the District's net position as of the fiscal year ended June 30, 2017.

#### Garfield County School District No. 16's Net Position

	Governmental Activities	
	2017	2016
<b>Assets:</b>		
Current and other assets	\$ 16,734,005	30,874,550
Capital assets, net	79,159,266	70,190,640
<b>Total Assets</b>	95,893,271	101,065,190
<b>Deferred outflow of resources</b>	20,567,568	4,523,146
<b>Liabilities:</b>		
Other liabilities	1,737,609	7,022,526
Long-term liabilities	100,538,007	80,463,055
<b>Total Liabilities</b>	102,275,616	87,485,581
<b>Deferred inflow of resources</b>	399,737	770,791
<b>Net Position:</b>		
Invested in capital assets, net of related debt	26,981,751	27,389,562
Restricted	11,742,044	20,738,138
Unrestricted	(24,938,309)	(30,795,736)
<b>Total Net Position</b>	\$ 13,785,486	17,331,964

Of the District's total assets, 83% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

## Summary of Activities

Net position for governmental activities decreased by \$3,546,478. The following graph summarizes the District's change in net position:

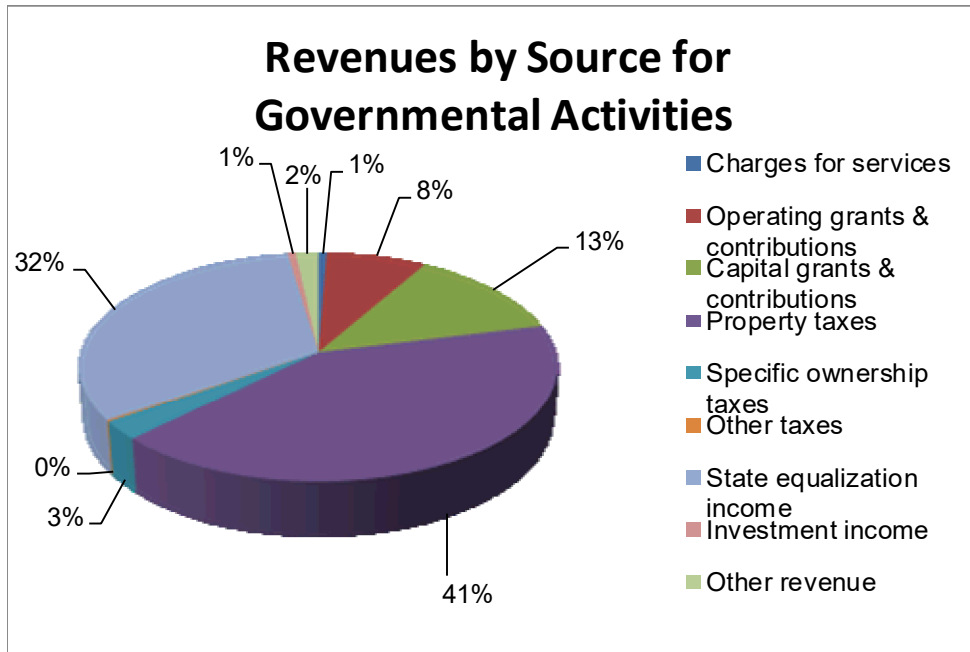
### Garfield County School District No. 16's Changes in Net Position

	<b>Governmental Activities</b>	
	<b>2017</b>	<b>2016</b>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 138,848	172,888
Operating grants & contributions	1,692,526	1,553,085
Capital grants & contributions	2,811,124	733,700
General revenues:		
Property taxes	9,112,007	10,372,051
Specific ownership taxes	581,175	539,363
Other taxes	41,061	471
State equalization income	7,084,202	5,359,358
Other revenue	378,536	361,773
Investment income	137,391	114,498
<b>Total Revenues</b>	<b>21,976,870</b>	<b>19,207,187</b>
<b>Expenses:</b>		
Direct instruction	13,385,745	8,093,575
Indirect instruction	1,749,209	1,350,238
General administration	3,111,033	1,604,133
Support services	1,549,077	854,400
Custodial and maintenance	2,720,540	1,862,105
Transportation	683,878	376,377
Food service	802,725	588,987
Interest on long-term debt	1,521,141	1,647,264
<b>Total Expenses</b>	<b>25,523,348</b>	<b>16,377,079</b>
<b>Change in Net Position</b>	(3,546,478)	2,830,108
<b>Net Position - Beg. of Year</b>	17,331,964	14,501,856
<b>Net Position - End of Year</b>	<b>\$ 13,785,486</b>	<b>17,331,964</b>

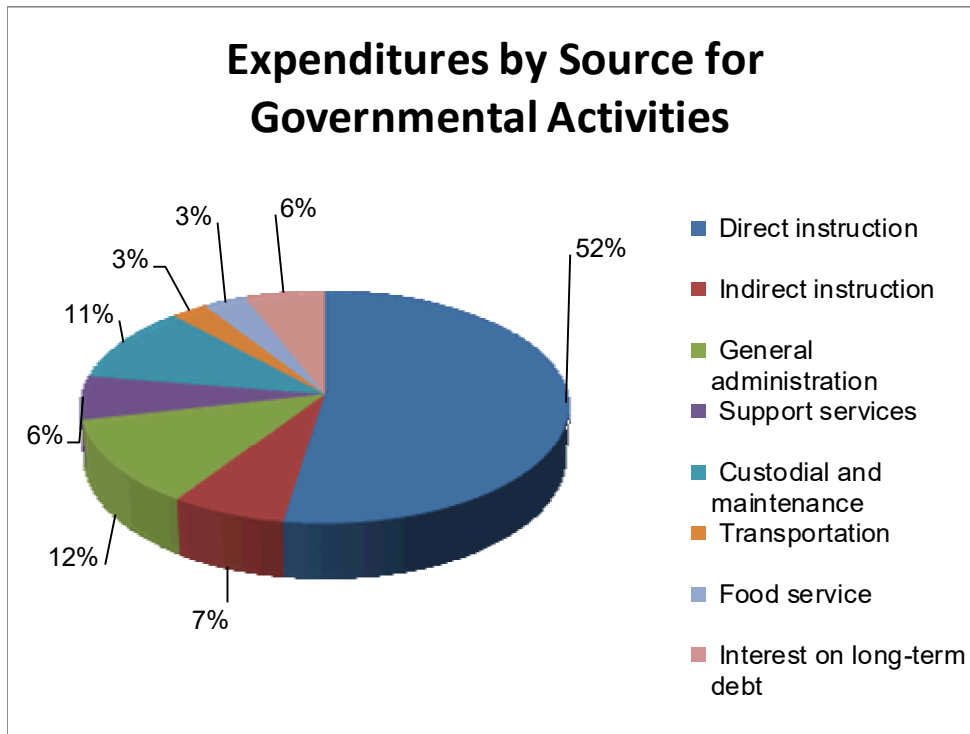
Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act-State Equalization) account for most of the District's revenue. The remainder comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

The following chart displays the revenues by source for the total District:



The following chart displays the expenses by source for the total District:



**Financial Analysis of the District's Funds:** As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year. The District did increase its unassigned balance, or fund balance, at the end of this fiscal year; a focus must be made to make an increase each year to that balance to ensure the fiscal health of the District.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$15,116,909. This is a decrease of \$8,879,098 from the prior year ending fund balances. The significant decrease relates to capital outlay relating to the construction of and improvements to various school facilities.

**General Fund Budgetary Highlights:** The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. The original budget is prepared based on a conservative estimate of enrolled students. This guarantees the District does not overstaff or overextend its financial capabilities. The District's student count experiences significant fluctuations due largely to changes in the local oil and gas industry. The District budgeted a large contingency to ensure the District was able to stay "live within the District's means".

**Capital Assets:** The District's investment in capital assets for governmental activities as of June 30, 2017 amounts to \$79,159,266, (net accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, equipment, and vehicles.

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statement section of this report.

**Long-Term Debt:** As of June 30, 2017, the District had an outstanding debt of \$100,538,007 consisting of the District's net pension liability, general obligation bonds, QZAB debt, and compensated absences payable. The District's net pension liability increased \$24,771,520 from the previous year.

Additional information as well as a detailed classification of the District's long-term liabilities can be found in the Notes to the Financial Statement section of this report.

**Economic Factors and Next Year's Budget:** The Public School Finance Act is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization

**Next Year's Budget and Rates:** The District's General Fund balance at the end of fiscal year 2017 was \$2,728,014. The District budgeted revenues to cover budgeted expenditures in the General Fund for fiscal year 2017.

**Request for Information:**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Garfield County School District No. 16, Director of Business Services, PO Box 68, Parachute, CO 81635.

Garfield County School District No. 16

Basic Financial Statements



**Garfield County School District No. 16**  
**Statement of Net Position**  
**June 30, 2017**

<b>ASSETS</b>	<b>Governmental Activities</b>
Cash and cash equivalents	16,405,794
Accounts receivable, net:	
Taxes	65,002
Other governments	279,486
Other	111,349
Internal balances	(174,705)
Inventory	47,079
Total current assets	16,734,005
<b>Capital assets:</b>	
Land	3,968,293
Construction in progress	450
Buildings and improvements	98,644,685
Vehicles and equipment	3,066,198
Less: Accumulated depreciation	(26,520,360)
Net capital assets	79,159,266
Total assets	95,893,271
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred charge on refunding	1,167,220
Pension related deferred outflows	19,400,348
Total deferred outflows of resources	20,567,568
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable and accrued expenses	10,458
Accrued salaries	1,051,788
Unearned revenue	515,524
Accrued interest	159,839
Total current liabilities	1,737,609
<b>Noncurrent liabilities:</b>	
Accrued compensated absences	187,168
Bonded debt and capital leases:	
Due within one year	3,903,061
Due in more than one year	49,235,937
Net pension liability	47,211,841
Total noncurrent liabilities	100,538,007
Total liabilities	102,275,616
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension related deferred inflows	399,737
<b>NET POSITION</b>	
Net investment in capital assets	26,981,751
Restricted for:	
Emergencies	468,000
Multi-year obligations	408,000
Debt service	9,827,450
Capital projects	1,038,594
Unrestricted	(24,938,309)
Total net position	13,785,486

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**

**Statement of Activities**

**For the Year Ended June 30, 2017**

<b>FUNCTIONS/PROGRAMS</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expenses)</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Revenue and Changes in Net Position</b>
					<b>Governmental Activities</b>
<b>GOVERNMENTAL ACTIVITIES:</b>					
Direct instruction	13,385,745	34,337	1,157,869	2,811,124	(9,382,415)
Indirect instruction	1,749,209	-	101,598	-	(1,647,611)
General administration	3,111,033	-	-	-	(3,111,033)
Support services	1,549,077	11,296	34,780	-	(1,503,001)
Custodial and maintenance	2,720,540	-	-	-	(2,720,540)
Transportation	683,878	12,907	61,380	-	(609,591)
Food service	802,725	80,308	336,899	-	(385,518)
Interest on long-term debt	1,521,141	-	-	-	(1,521,141)
Total governmental activities	<u>25,523,348</u>	<u>138,848</u>	<u>1,692,526</u>	<u>2,811,124</u>	<u>(20,880,850)</u>
<b>GENERAL REVENUES:</b>					
Taxes:					
Property taxes - Levied for general operations					3,585,599
Property taxes - Levied for debt service					5,526,408
Specific ownership taxes					581,175
Other taxes					41,061
State equalization income					7,084,202
Grants and contributions not restricted to specific programs					378,536
Investment income					137,391
Total general revenues and transfers					<u>17,334,372</u>
Change in net position					(3,546,478)
Net position, beginning					<u>17,331,964</u>
Net position, ending					<u>13,785,486</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2017**

	General Fund	Grant Fund	Bond Redemption Fund	Building Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	5,639,633	-	9,804,678	961,483	-	16,405,794
Accounts receivable, net:						
Taxes	25,207	-	39,795	-	-	65,002
Other governments	182,605	54,365	42,515	-	-	279,485
Other	-	78,135	-	-	33,214	111,349
Due from other funds	-	405,666	-	77,111	1,469,005	1,951,782
Inventories	-	-	-	-	47,079	47,079
Total assets	<u>5,847,445</u>	<u>538,166</u>	<u>9,886,988</u>	<u>1,038,594</u>	<u>1,549,298</u>	<u>18,860,491</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts payable and accrued expenses	10,458	-	-	-	-	10,458
Accrued salaries	1,016,852	25,526	-	-	9,409	1,051,787
Due to other funds	2,077,042	-	35,291	-	14,154	2,126,487
Unearned revenues	-	512,640	-	-	2,884	515,524
Total liabilities	<u>3,104,352</u>	<u>538,166</u>	<u>35,291</u>	<u>-</u>	<u>26,447</u>	<u>3,704,256</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>						
Unavailable property taxes	15,079	-	24,247	-	-	39,326
Fund balances:						
Non-spendable:						
Inventories	-	-	-	-	47,079	47,079
Restricted:						
TABOR	468,000	-	-	-	-	468,000
Multi-year obligations	408,000	-	-	-	-	408,000
Debt service	-	-	9,827,450	-	-	9,827,450
Capital projects	-	-	-	1,038,594	-	1,038,594
Committed:						
Food service	-	-	-	-	6,767	6,767
Capital projects	-	-	-	-	1,469,005	1,469,005
Unassigned	1,852,014	-	-	-	-	1,852,014
Total fund balances	<u>2,728,014</u>	<u>-</u>	<u>9,827,450</u>	<u>1,038,594</u>	<u>1,522,851</u>	<u>15,116,909</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>5,847,445</u>	<u>538,166</u>	<u>9,886,988</u>	<u>1,038,594</u>	<u>1,549,298</u>	<u>18,860,491</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2017**

Governmental Funds Total Fund Balance		15,116,909
<i>Add:</i>		
Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.		39,326
Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds:		
	Capital assets	105,679,626
	Accumulated depreciation	<u>(26,520,360)</u>
		79,159,266
Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members:		
	Unamortized Pension-related Deferred Outflows	19,400,348
	Unamortized Pension-related Deferred Inflows	<u>(399,737)</u>
		19,000,611
<i>Less:</i>		
Deferred charges such as deferred refunding costs, and premiums and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:		
	Deferred refunding costs	1,167,220
	Premiums and discounts on bonded debt	<u>(4,605,256)</u>
		(3,438,036)
Long-term liabilities, including bonds payable, net pension liability, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
	Bonds payable	(48,533,742)
	Net pension liability	(47,211,841)
	Accrued compensated absences and early retirement	(187,168)
	Accrued interest	<u>(159,839)</u>
		<u>(96,092,590)</u>
Governmental Activities Net Position		<u><u>13,785,486</u></u>

The accompanying notes are an integral part of these statements.

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Grant Fund</u>	<u>Bond Redemption Fund</u>	<u>Building Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>						
Taxes:						
Property taxes	3,573,794	-	5,526,408	-	-	9,100,202
Specific ownership taxes	581,175	-	-	-	-	581,175
Other taxes	41,061	-	-	-	-	41,061
Federal income	181,012	399,867	-	-	329,192	910,071
State income	7,336,500	193,310	-	2,811,124	7,708	10,348,642
Investment income (loss)	99,887	-	1,932	35,572	-	137,391
Other	307,778	355,235	1	-	183,509	846,523
Total revenues	<u>12,121,207</u>	<u>948,412</u>	<u>5,528,341</u>	<u>2,846,696</u>	<u>520,409</u>	<u>21,965,065</u>
<b>EXPENDITURES</b>						
Direct instruction	5,781,073	768,390	-	-	-	6,549,463
Indirect instruction	1,079,522	168,614	-	-	-	1,248,136
General administration	1,797,996	5,247	-	-	4,000	1,807,243
Support services	970,344	-	-	-	-	970,344
Custodial and maintenance	1,950,909	-	-	-	-	1,950,909
Transportation	336,372	4,816	-	-	76,547	417,735
Food service	-	1,345	-	-	529,872	531,217
Capital outlay	-	-	-	11,569,695	40,254	11,609,949
Debt service:						
Principal	206,256	-	3,555,000	-	-	3,761,256
Interest and fiscal charges	1,793	-	1,996,118	-	-	1,997,911
Total expenditures	<u>12,124,265</u>	<u>948,412</u>	<u>5,551,118</u>	<u>11,569,695</u>	<u>650,673</u>	<u>30,844,163</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(3,058)</u>	<u>-</u>	<u>(22,777)</u>	<u>(8,722,999)</u>	<u>(130,264)</u>	<u>(8,879,098)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in (out)	(610,000)	-	-	-	610,000	-
Total other financing sources (uses)	<u>(610,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>610,000</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	(613,058)	-	(22,777)	(8,722,999)	479,736	(8,879,098)
<b>FUND BALANCES, BEGINNING</b>	3,341,072	-	9,850,227	9,761,593	1,043,115	23,996,007
<b>FUND BALANCES, ENDING</b>	<u>2,728,014</u>	<u>-</u>	<u>9,827,450</u>	<u>1,038,594</u>	<u>1,522,851</u>	<u>15,116,909</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Reconciliation of Revenues, Expenditures and Change in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2017**

Governmental Funds Change in Fund Balances	(8,879,098)
 <i>Add:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	11,230,877
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	3,761,257
Accrued compensated absences and early retirement reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year.	40,836
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position.	476,770
 <i>Less:</i>	
Deferred property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the deferred property tax recognized in the Statement of Activities.	11,805
Changes in the District's net pension liability reported in the Statement of Net Position do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in the District's net pension liability during the year, including differences between employer contributions to the pension plan and amortization of pension-related deferrals.	(7,926,674)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(2,262,251)
Governmental Activities Change in Net Position	(3,546,478)

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
**June 30, 2017**

	<u>Pupil Activity Agency Fund</u>
<b>ASSETS</b>	
Due from Garfield County School District No.16	<u>174,705</u>
Total assets	<u><u>174,705</u></u>
<b>LIABILITIES</b>	
Due to student activities	<u>174,705</u>
Total liabilities	<u><u>174,705</u></u>

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

Garfield County School District No. 16

Notes to the Financial Statements



**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**

**I. Summary of Significant Accounting Policies**

Garfield County School District No. 16 (the "District") is one of three public school districts within Garfield County, Colorado. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services. The District is located in the Parachute/Battlement Mesa communities on the Western Slope of Colorado. The District operates the following schools:

<b>Preschool and Kindergarten</b>	<b>Middle Schools</b>	<b>High School</b>
Grand Valley center for Family Learning	Grand Valley Middle School	Grand Valley High School
<b>Elementary School</b>		
Bea Underwood Elementary		

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

The District was reorganized by a vote of qualified electorate in 1947 and operates under an elected Board of Education comprised of five members. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the above criteria, the District is not financially accountable for any other organization. No additional separate governmental units, agencies or nonprofit organizations are included in the financial statements of the District.

The District receives funding from local, state, and federal government sources and must comply with all the requirements of these funding sources. However, the District is not included in any other governmental reporting entity.

**B. District-wide and Fund Financial Statements**

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major and non-major funds). The District-wide financial statements categorize primary activities as governmental. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. District-wide and Fund Financial Statements**

**1. District-wide Financial Statements**

In the District-wide Statement of Net Position, the governmental activities columns are (a) presented on a consolidated basis by column, and (b) reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net position is reported in three parts - invested in capital assets, net of related debt; restricted net position; and unrestricted net position.

The District-wide Statement of Activities reports both the gross and net cost of the District's governmental functions. The governmental functions are also supported by general government revenues (property taxes, specific ownership taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net costs, by function, are normally covered by general revenues.

The District-wide focus is on the sustainability of the District as an entity and the change in the District's Net Position resulting from the current year's activities.

**2. Fund Financial Statements**

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The fund focus is on current available resources and budget compliance.

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *Grand Fund* accounts for all federal, state, and local grants which are restricted as to the type of expenditures for which they may be used.

The *Bond Redemption Fund* accounts for transactions related to the District's general obligation bonds and interest.

The *Building Fund* accounts for the construction of and improvements to various school facilities. Bond proceeds are used to finance these projects.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**B. District-wide and Fund Financial Statements (continued)**

**2. Fund Financial Statements (continued)**

The District also reports the following agency fund:

The *Pupil Activity Agency Fund* accounts for assets held by the District as an agent for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

**1. Long-term Economic Focus and Accrual Basis**

Governmental in the district-wide financial statements as well as the fiduciary fund financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**2. Current Financial Focus and Modified Accrual Basis**

The District's governmental fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The District considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)**

**3. Financial Statement Presentation**

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

**D. Financial Statement Accounts**

**1. Cash, Cash Equivalents, and Investments**

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with a maturity date within 3 months of the acquisition date.

Investments are stated at fair value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

The District follows Colorado statutes specifying specific investment instruments meeting defined rating criteria in which local governments may invest, which include:

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

**2. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**3. Property Taxes**

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable and as deferred revenue.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**4. Inventory**

Inventories recorded in the Food Service Fund consist of purchased and donated commodities. Purchased inventories are valued at cost, while donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt using the first-in, first-out method.

**5. Capital Assets**

Capital assets, which include land, land improvements, construction in progress, buildings and improvements, equipment, and vehicles, are reported in the governmental column in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair 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 the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital outlay for projects is capitalized as projects are constructed. The District does not capitalize interest on the construction of capital assets.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 40
Vehicles and equipment	5 - 20

**6. Deferred Outflows and Inflows of Resources**

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow if resources (expense/expenditures) until then. The District has two items that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Another item is the collective deferred outflows related to the District's net pension obligation. Pension contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension liability in future periods. See Note III.F.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**6. Deferred Outflows and Inflows of Resources (continued)**

Deferred inflows of resources represent an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Unavailable revenue from property taxes, reported in the governmental balance sheet are deferred and recognized as an inflow from resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants. See Note III.F.

**7. Compensated Absences**

District employees with five or more years of employment with the District are paid for up to thirty days accumulated day leave at the lower of \$50 per day or the current daily rate. Payment is made in July of the year succeeding termination of employment. In addition, District employees are paid for accumulated vacation at their current daily rate upon termination.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it, which is the General Fund. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. No liability is recorded for non-vesting accumulating rights.

**8. Long-term debt**

In the district-wide financial statements, long-term debt is reported as liabilities in the governmental activities statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments.

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 the 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.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**9. 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.

**10. Fund Balance and Fund Classifications**

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

The District classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Spendable Fund Balance:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**10. Fund Balance and Fund Classifications (continued)**

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the Board of Education platform to review, and/or make changes to each department's budget. Before year end, a budgetary committee will meet again with each department for final review and approval of preliminary budget. The Budget is then formally presented to the Board of Education via an advertised public process for their review, revisions and final approval by year end. All subsequent budget requests made during the year, after the Board of Education approval, must be presented via a public process and again approval by the Board of Education.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board of Education or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The District does not have a formal minimum fund balance policy. However, the District's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to the Board of Education.

In addition to the above note disclosure, GASB requires disclosure of the following fund definitions.

General Fund - The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**I. Summary of Significant Accounting Policies (continued)**

**D. Financial Statement Accounts (continued)**

**10. Fund Balance and Fund Classifications (continued)**

Special Revenue Funds - Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The term "proceeds of specific revenue sources" establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.

Capital Projects Funds - Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Funds - Debt service funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest. Debt service funds should be used to report resources if legally mandated. Financial resources that are being accumulated for principal and interest maturing in future years also should be reported in debt service funds.

**11. Interfund Transactions**

Interfund services provided and used are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as "due from other funds" or "due to other funds" on the balance sheet when they are expected to be liquidated within one year. If the receivable or payable is not expected to be liquidated after one year, it is classified as "advances to other funds" or "advances from other funds".

**E. Significant Accounting Policies**

**1. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires the District's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

**2. Credit Risk**

The receivables of the various funds of the District are primarily due from other governments. Management believes that the credit risk related to the receivables is minimal.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability**

**A. Bond Trustee**

Colorado state statutes require all property taxes levied for the purpose of satisfying bonded indebtedness to be administered by at least one third party custodian designated by the District. The third-party custodian is required to ensure all taxes levied to satisfy the obligations of bonded indebtedness are used accordingly. The District has entered into a custody agreement with Garfield County, Colorado in order to meet this requirement.

**B. Budgetary Information**

Budgets are adopted on a basis consistent with GAAP. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2017:

1. The proposed budget was submitted to the Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriation ordinances were approved for the following funds:

<b>Fund</b>	<b>Original Appropriation</b>	<b>Final Appropriation</b>	<b>Change</b>
General Fund	\$ 11,842,335	12,034,458	192,123
Grant Fund	620,573	1,583,546	962,973
Debt Service Fund	5,413,600	5,543,060	129,460
Building Fund	21,744,086	12,604,677	(9,139,409)

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**II. Stewardship, Compliance, and Accountability (continued)**

**C. TABOR Amendment**

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government. Any revenues earned in excess of the fiscal year spending limit must be refunded in the next fiscal year, unless voters approve retention of such excess revenue.

Except for refinancing debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$468,000 of its June 30, 2017 fund balances for this purpose.

In 1997, the District's electorate approved the following ballot question: *"Without increasing any tax rates or imposing any new tax shall Garfield County School District 16 be authorized to collect, keep and expend all District revenues received in fiscal year 1998 and each year thereafter without regard to any spending, revenue raising or other limitation in Article X, Section 20 of the Colorado Constitution or other laws of the state?"*.

The District believes it is in compliance with the requirements of the TABOR Amendment. However, the Amendment is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District's deposits are entirely covered by federal depository insurance ("FDIC") or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first \$250,000 of the District's deposits at each financial institution for interest-bearing accounts. Non-interest bearing accounts are fully insured. Deposit balances for interest-bearing accounts over \$250,000 are collateralized as required by PDPA.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

The District is governed by the deposit and investment limitations of state law. The deposits and investment balances (including the agency fund) at June 30, 2017, are as follows:

<u>Type:</u>	<u>Standard &amp; Poors Rating</u>	<u>Balance</u>	<u>Maturities</u>	
			<u>Less Than One Year</u>	<u>Less Than Five Years</u>
<i>Deposits:</i>				
Petty Cash	Not rated	\$ 325	325	-
Checking accounts	Not rated	799,181	799,181	-
<i>Investments:</i>				
Investment pool	AAAm	15,606,288	15,606,288	-
		<u>\$ 16,405,794</u>	<u>16,405,794</u>	<u>-</u>

The investment pool represents investments in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

*Interest Rate Risk.* The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2017 are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

*Credit Risk.* State law specify instruments in which local governments may invest, including obligations of the United States, certain U.S. governmental agency securities, local government investment pools, and commercial paper, among other items. The District's general investment policy is to invest surplus funds in accordance with state law, to ensure the preservation of capital, to ensure that adequate funds are available at all times to meet the financial obligations of the District when due, and to realize rates of return on invested funds which are comparable to market levels.

*Concentration of Credit Risk.* The District diversifies its investments by security type and institution. The District places no limit on the amount it may invest in any one issuer.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**A. Deposits and Investments (continued)**

*Fair Value of Investments*

The District measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles.

At June 30, 2017, the District had the following recurring fair value measurements:

<b>Investments Measured at Net Asset Value</b>	<b>Total</b>
Colostrust	\$ 15,606,288

**B. Receivables and Unavailable Revenue**

Receivables as of year-end for the District's major and non-major funds, including applicable allowances for uncollectible accounts, are as follows:

	<b>General Fund</b>	<b>Grant Fund</b>	<b>Bond Redemption Fund</b>	<b>Food Service Fund</b>	<b>Total Governmental Funds</b>
Receivables:					
Taxes	\$ 25,207	-	39,795	-	65,002
Other	-	78,135	-	33,214	111,349
Intergovernmental	182,605	54,365	42,515	-	279,485
Gross receivables	207,812	132,500	82,310	33,214	455,836
Less: allowance for uncollectible	-	-	-	-	-
<b>Net Receivables</b>	<b>\$ 207,812</b>	<b>132,500</b>	<b>82,310</b>	<b>33,214</b>	<b>455,836</b>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 3,968,293	-	-	3,968,293
Construction in progress	24,260,388	11,117,033	(35,376,971)	450
Total capital assets, not being depreciated	<u>28,228,681</u>	<u>11,117,033</u>	<u>(35,376,971)</u>	<u>3,968,743</u>
Capital assets, being depreciated:				
Buildings and improvements	63,267,714	35,376,971	-	98,644,685
Vehicles and equipment	2,952,354	113,844	-	3,066,198
Total capital assets being depreciated	<u>66,220,068</u>	<u>35,490,815</u>	<u>-</u>	<u>101,710,883</u>
Total capital assets - Cost	<u>94,448,749</u>	<u>46,607,848</u>	<u>(35,376,971)</u>	<u>105,679,626</u>
Less accumulated depreciation for:				
Buildings and improvements	(22,195,014)	(2,095,229)	-	(24,290,243)
Vehicles and equipment	(2,063,095)	(167,022)	-	(2,230,117)
Total accumulated depreciation	<u>(24,258,109)</u>	<u>(2,262,251)</u>	<u>-</u>	<u>(26,520,360)</u>
<b>Governmental activities capital assets, net</b>	<u>\$ 70,190,640</u>	<u>44,345,597</u>	<u>(35,376,971)</u>	<u>79,159,266</u>

The District had the following capital outlay and depreciation expense for the following functions:

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Governmental activities:		
Direct instruction	\$ 8,898,031	2,005,005
General administration	9,480	17,593
Custodial and maintenance	57,899	126,104
Transportation	2,265,467	60,395
Food service	-	53,154
<b>Total - governmental activities</b>	<u>\$ 11,230,877</u>	<u>2,262,251</u>

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**D. Interfund Receivables, Payables, and Transfers**

The composition of interfund balances as of June 30, 2017, was as follows:

The outstanding balances between funds result mainly 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.

	<b>Receivable Fund</b>	<b>Payable Fund</b>
General Fund	\$ -	2,077,042
Grant Fund	405,666	-
Bond Redemption Fund	-	35,291
Building Fund	77,111	-
Food Services Fund	-	14,154
Royalty Fund	413,575	-
Capital Projects Fund	1,055,430	-
Pupil Activity Agency Fund	174,705	-
	\$ 2,126,487	2,126,487

Transfers for fiscal year 2017 were as follows:

<b>Transfer In (Out)</b>	<b>Amount</b>	<b>Transfer Purpose</b>
General Fund	\$ (610,000)	To fund food service operations and future capital purchases
Capital Projects	535,000	Funding future capital purchases
Food Services Fund	75,000	Funding from the General Fund
Total	\$ -	

**E. Long-term Debt – Governmental Activities**

**1. General Obligation Refunding Bonds, Series 2005**

On March 24, 2005, the District issued General Obligation Refunding Bonds, Series 2005 in the amount of \$6,785,000. Proceeds of the bond issue were used to advance refund a portion of the General Obligation Bonds, Series 2000 and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 3.00% to 4.25%. As noted below the remaining \$3,545,000 of bonds were advance refunded in January 2015.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**2. General Obligation Bonds, Series 2007**

On January 23, 2008, the District issued General Obligation Bonds, Series 2007 in the amount of \$35,000,000. Proceeds from the bonds were used to repair and improve school buildings, to acquire land and construct a new middle school, to renovate the existing middle school for use as an elementary school, to renovate and expand the Early Childhood Literacy Center, to construct a new transportation and maintenance facility, and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 4.00% to 5.00%. Bonds maturing on or after December 1, 2017, are subject to early redemption on December 1, 2016. The District's debt matures in fiscal year 2022.

**3. General Obligation Bonds Refunding Bonds, Series 2010**

On August 24, 2010, the District issued General Obligation Refunding Bonds, Series 2010 in the amount of \$3,095,000. Proceeds of the bond issue were used to advance refund the outstanding General Obligation Bonds, Series 2001 and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 2.00% to 4.00%. The District's debt matures in fiscal year 2021.

**4. General Obligation Bonds Refunding Bonds, Series 2013**

On April 3, 2013, the District issued General Obligation Refunding Bonds, Series 2013 in the amount of \$14,925,000. Proceeds of the bond issue were used to advance refund a portion of the outstanding General Obligation Bonds, Series 2007 and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 2.00% to 5.00%. The District's debt matures in fiscal year 2021.

**5. General Obligation Bonds, Series 2015A and General Obligation Refunding Bonds, Taxable Series 2015B**

In January 2015, the District issued General Obligation Bonds, Series 2015A ("2015A bonds") in the amount of \$29,365,000 and General Obligation Refunding Bonds Taxable Series 2015B ("2015B bonds") in the amount of \$3,730,000.

Proceeds from the 2015A bonds will be used to acquire, construct, repair and improve District capital assets, and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 2.00% to 5.00%. Bonds maturing on or after December 1, 2025, are subject to early redemption on December 1, 2024. The District's debt matures in fiscal year 2027.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**5. General Obligation Bonds, Series 2015A and General Obligation Refunding Bonds, Taxable Series 2015B (continued)**

Proceeds of the 2015B were used to advance refund a portion of the outstanding General Obligation Bonds, Series 2005 and to pay costs of issuance. The bonds are issued in denominations of \$5,000 and bear interest rates from 0.50% to 2.43%. The interest on the 2015B bonds is subject to federal income tax, because the federal tax code limits the number of advance refunding which can be issued by the District. The District's debt matures in fiscal year 2020. The present value savings on the bond refunding was \$118,696.

**6. Defeasance of Debt**

As noted above, proceeds of 2005, 2010, and 2015B refunding bond issuances were used to purchase U.S. government securities to retire previous bonds issues. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The amount of the District's defeased debt is not readily determinable.

**7. Capital Leases**

The District was obligated under certain lease agreements for activity buses and made the final lease payments during the year ended June 30, 2017. These obligations were accounted for as capital leases. The leased assets and related obligations are accounted for in the Statement of Net Position. The net book value of the assets acquired through the capital leases is computed as follows:

	<b>Activity Buses</b>
Historical cost	\$ 208,600
Less: Accumulated depreciation	(93,870)
Net book value	\$ 114,730

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**8. Schedule of Future Payments**

The District's aggregate annual debt service requirements for general obligation bonds at June 30, 2017, are as follows:

<b>Fiscal Year Ending</b>	<b>Total</b>	
	<b>Total Principal</b>	<b>Total Interest</b>
2018	\$ 3,705,000	1,866,805
2019	3,815,000	1,762,634
2020	3,895,000	1,632,496
2021	4,055,000	1,473,731
2022	4,095,000	1,299,875
2023 - 2027	23,075,000	3,913,425
2028	5,285,000	105,700
Total	<u>47,925,000</u>	<u>12,054,666</u>
	4,605,256	Add: Unamortized bond premium
	<u>\$ 52,530,256</u>	Total bonded debt and capital leases

**9. Qualified Zone Academy Bonds**

On May 12, 2005, the District obtained \$2,500,000 through a lease purchase agreement with the American National Bank by issuing Qualified Zone Academy Bonds. These proceeds were used to retrofit several school buildings with energy efficient lighting, HVAC equipment and boilers and related structural improvements. These bonds were created by Section 226(a) of the Taxpayer Relief Act of 1997 (the "Act"). The Act allowed the issuance of debt by public schools within enterprise zones to be interest free. In addition, there must be an educational program designed in cooperation with businesses and receive a private business contribution that is not less than 10% of the net present value of the bond proceeds, as stipulated in the Act. Annual payments of \$152,020 are being made to advance fund the required payment of \$2,500,000 which is due May 20, 2020. A calculation of the related liability for future fiscal years follows:

<b>Fiscal Year Ending</b>	<b>District Payment</b>	<b>Amortized Discount</b>	<b>Total Liability</b>
2018	\$ 152,020	46,040	198,060
2019	152,020	50,858	202,878
2020	152,020	55,784	207,804
<b>Total</b>	<u>\$ 456,060</u>	<u>152,682</u>	<u>608,742</u>

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

**E. Long-term Debt (continued)**

**10. Changes in Long-term Liabilities**

The following is a summary of changes in long-term liabilities for the year ended June 30, 2017:

	<u>July 1, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within One Year</u>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Building Bonds, Series 2007	\$ 2,490,000	-	(2,490,000)	-	-
Refunding Bonds, Series 2010	1,500,000	-	(275,000)	1,225,000	300,000
Refunding Bonds, Series 2013	14,460,000	-	(70,000)	14,390,000	2,685,000
Building Bonds, Series 2015A	29,365,000	-	-	29,365,000	-
Taxable Refunding Bonds, Series 2015B	3,665,000	-	(720,000)	2,945,000	720,000
Unamortized bond premium	5,458,499	-	(853,243)	4,605,256	-
Capital leases	54,139	-	(54,139)	-	-
Qualified zone academy bonds	802,092	-	(193,350)	608,742	198,061
Accrued compensated absences	228,004	-	(40,836)	187,168	-
Net pension liability	22,440,321	-	24,771,520	47,211,841	-
<b>Total Governmental Activities</b>	<u>\$ 80,463,055</u>	<u>-</u>	<u>20,074,952</u>	<u>100,538,007</u>	<u>3,903,061</u>

For governmental activities, compensated absences are liquidated by the General Fund.

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

At June 30, 2017, the District reported a liability of \$47,211,841 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the District proportion was 0.1586%, as compared to its proportion of 0.1467% measured as of December 31, 2015.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

For the year ended June 30, 2017, the District recognized pension expense of \$9,298,670. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 590,220	415
Changes of assumptions or other inputs	15,319,258	212,901
Net difference between projected and actual earnings on pension plan investments	1,578,665	-
Changes in proportionate share of contributions	1,202,649	186,421
Difference between actual and reported contributions recognized	545	-
Contributions subsequent to the measurement date	709,011	-
Total	<b>\$ 19,400,348</b>	<b>399,737</b>

\$709,011 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date of December 31, 2016, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 7,226,702
2018	7,403,304
2019	3,645,849
2020	15,745
	<b>\$ 18,291,600</b>

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

*Actuarial assumptions.* The total pension liability in the December 31, 2015 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

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

*Actuarial assumptions (continued).*

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

*Actuarial assumptions (continued).*

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant 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 18, 2016 adoption of the current 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:

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

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

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

*Discount rate.* The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future Amortization Equalization Disbursement ("AED") and Supplemental Amortization Equalization Disbursement ("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 Annual Increase Reserve "AIR" and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate ("SEIR") determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**III. Detailed Notes on All Funds (continued)**

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

*Discount rate (continued).*

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Collective net pension liability	\$ 37,439,681,000	29,773,867,000	23,530,339,000
Proportionate share of net pension liability	59,367,373	47,211,841	37,311,600

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

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information**

**A. Defined Benefit Pension Plan**

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

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

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

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

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

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

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

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

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information**

**A. Defined Benefit Pension Plan (continued)**

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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

**Contributions** – Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
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>	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (“SAED”) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	18.13%	18.63%

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

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information**

**A. Defined Benefit Pension Plan (continued)**

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 \$1,371,996 for the year ended June 30, 2017.

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

**Funding Policy** – The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017 and 2016, the District's contributions to HCTF were \$76,119 and \$69,106, respectively, equal to their required contributions.

**C. Defined Contribution Pension Plan**

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

**Funding Policy** – Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the District for the years ended June 30, 2017 and 2016.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information (continued)**

**D. Risk Management**

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

**E. Contingencies**

**1. Legal Claims**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2017.

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2017.

**3. State Programs**

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State. These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

**F. Jointly Governed Organization – BOCES**

The District, together with nine other school districts and a college, participates in the Mountain Board of Cooperative Educational Services (the "BOCES"). The purpose of the BOCES is to pool resources of the individual districts and to provide services common to each on a basis that is more economical than if the same services were provided individually. Administrative costs are borne equally by the districts. Administrative costs and services by BOCES are charged to each district based upon individual needs and the student population.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information (continued)**

**F. Jointly Governed Organization – BOCES (continued)**

The Board of the BOCES consists of one member of each participating district and the college. Each district and the college have equal voting rights in the decisions of the BOCES.

The BOCES has issued its own audited financial statements for the year ended June 30, 2016, the latest available data. The following summary information is presented:

Assets	\$ 5,928,404
Deferred Outflows of Resources	877,253
Liabilities	9,466,955
Deferred Inflows of Resources	280,952
Net Position	<u>\$ (2,942,250)</u>
Expenses	\$ (11,087,857)
Program Revenues	10,838,207
General Revenues	209,195
Change in Net Position	<u>(40,455)</u>
Net Position - Beginning	<u>(2,901,795)</u>
Net Position - Ending	<u>\$ (2,942,250)</u>

For the years ended June 30, 2017 and 2016, the District made operating contributions of \$232,710 and \$160,855, respectively.

**G. Colorado School District Self Insurance Pool**

The District belongs to the Colorado School Districts Self Insurance Pool (the "Pool"). The Pool was established by the Colorado Association of School Boards ("CASB") to provide insurance coverage to participants in the areas of property, crime, vehicle, liability, School Crisis Act, and other coverage. The majority of the Board of Directors of the Pool is appointed by CASB.

Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, aggregate Pool claims, the cost of administrative and other costs, the number of participants, and the adequacy of operating and reserve funds.

**Garfield County School District No. 16**  
**Notes to the Financial Statements**  
**June 30, 2017**  
**(Continued)**

**IV. Other Information (continued)**

**G. Colorado School District Self Insurance Pool (continued)**

The District's share in the Pool is not determinable from current information. The Pool has issued its own audited financial statements for the year ended December 31, 2016, the latest available data. The following summary information is presented:

Admitted Assets	\$ 48,036,383
Liabilities	(21,232,630)
Surplus	\$ 26,803,753
Revenues	\$ 14,922,549
Expenses	(12,497,566)
Net Income	2,424,983
Change in nonadmitted assets	53,761
Surplus - Beginning	24,325,009
Net Position - Ending	\$ 26,803,753

**H. State Statutes**

The District had expenditures in excess of budget for the following fund. This may be a violation of state statute.

Fund	Final Budget	Actual	Expenditures in excess of budget	Reason
General Fund	\$ 12,034,458	12,734,265	699,807	Transfer to Capital Reserve to build a technology reserve for future purchases; added additional bandwidth in summer of 2016, and will receive e-rate refunds in fiscal year 2018 as data bills paid in full in fiscal year 2017
Debt Service Fund	5,543,060	5,551,118	8,058	Unbudgeted county oil and gas audit
Food Service Fund	526,447	529,871	3,424	Commodities used higher than
Pupil Activity Agency Fund	350,000	775,480	425,480	Due to unpredictable nature

Garfield County School District No. 16

Required Supplementary Information



**Garfield County School District No. 16**  
**General Fund**  
**Schedule of Revenues, Expenditures and Changes in**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	<b>2017</b>			<b>2016</b>	
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Final Budget Variance Positive (Negative)</b>	<b>Actual Amounts</b>
<b>REVENUES</b>					
Taxes:					
Property taxes levied for general purposes	4,866,471	3,670,096	3,573,794	(96,302)	4,986,523
Specific ownership taxes	425,679	425,679	581,175	155,496	539,363
Other taxes	50,000	50,000	41,061	(8,939)	471
Federal income	197,283	197,283	181,012	(16,271)	165,821
State income	6,031,601	7,342,004	7,336,500	(5,504)	5,640,357
Investment income	17,000	17,000	99,887	82,887	32,455
Other	254,300	332,395	307,778	(24,617)	260,161
Total revenues	<u>11,842,334</u>	<u>12,034,457</u>	<u>12,121,207</u>	<u>86,750</u>	<u>11,625,151</u>
<b>EXPENDITURES</b>					
Direct instruction	5,842,394	5,745,598	5,781,073	(35,475)	5,216,945
Indirect instruction	989,296	1,211,441	1,079,522	131,919	1,074,493
General administration	1,850,422	1,850,422	1,797,996	52,426	1,447,558
Support services	935,883	935,883	970,344	(34,461)	816,423
Custodial and maintenance	1,705,049	1,705,049	1,950,909	(245,860)	1,715,927
Transportation	186,360	253,134	336,372	(83,238)	321,846
Capital outlay	-	-	-	-	17,752
Principal retirement	206,139	206,139	206,256	(117)	204,865
Interest and fiscal charges	1,793	1,793	1,793	-	3,527
Total expenditures	<u>11,717,336</u>	<u>11,909,459</u>	<u>12,124,265</u>	<u>(214,806)</u>	<u>10,819,336</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>124,998</u>	<u>124,998</u>	<u>(3,058)</u>	<u>(128,056)</u>	<u>805,815</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers (out)	(125,000)	(125,000)	(610,000)	(485,000)	(650,000)
Total other financing sources (uses)	<u>(125,000)</u>	<u>(125,000)</u>	<u>(610,000)</u>	<u>(485,000)</u>	<u>(650,000)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2)</u>	<u>(2)</u>	<u>(613,058)</u>	<u>(613,056)</u>	<u>155,815</u>
<b>FUNDS BALANCES, BEGINNING</b>			<u>3,341,072</u>		<u>3,185,257</u>
<b>FUND BALANCES, ENDING</b>			<u>2,728,014</u>		<u>3,341,072</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Grants Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Final Budget Variance Positive (Negative)	2016
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
Federal income	362,967	412,293	399,867	(12,426)	434,402
State income	108,786	430,166	193,310	(236,856)	133,280
Other sources	148,820	741,087	355,235	(385,852)	262,069
Total revenues	<u>620,573</u>	<u>1,583,546</u>	<u>948,412</u>	<u>(635,134)</u>	<u>829,751</u>
<b>EXPENDITURES</b>					
Direct instruction	427,717	1,198,839	768,390	430,449	594,395
Indirect instruction	177,452	370,655	168,614	202,041	207,605
General administration	11,771	8,999	5,247	3,752	5,074
Transportation	3,633	5,053	4,816	237	4,783
Food service	-	-	1,345	(1,345)	-
Capital outlay	-	-	-	-	17,894
Total expenditures	<u>620,573</u>	<u>1,583,546</u>	<u>948,412</u>	<u>635,134</u>	<u>829,751</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, BEGINNING</b>			-		-
<b>FUND BALANCES, ENDING</b>			<u>-</u>		<u>-</u>

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

**Garfield County School District No. 16**  
**Schedule of Employer's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.1586%	0.1467%	0.1457%	0.1533%
District's proportionate share of the net pension liability	47,211,841	22,440,321	19,753,937	19,575,659
District's covered payroll	7,116,816	6,394,179	6,105,851	6,181,921
District's proportionate share of the net pension liability as a percentage of its covered payroll	663%	351%	324%	317%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.84%	64.07%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.  
Information is only available beginning in fiscal year 2014.

The accompanying notes to required supplementary information are an integral part of these statements.

**Garfield County School District No 16**  
**Schedule of District Contributions**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,290,279	1,108,111	1,003,192	960,053
Contributions in relation to the contractually required contribution	<u>(1,290,279)</u>	<u>(1,108,111)</u>	<u>(1,003,192)</u>	<u>(960,053)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	7,116,816	6,394,179	6,105,851	6,181,921
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%

\* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

The accompanying notes to required supplementary information are an integral part of these statements.

**Garfield County School District No. 16**  
**Notes to the Required Supplementary Information**  
**June 30, 2017**

**I. Schedule of Employer's Proportionate Share of the Net Pension Liability**

**A. Changes to Assumptions or Other Inputs**

**1. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:**

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the School Division Trust Fund was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

**2. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:**

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

**Garfield County School District No. 16**  
**Notes to Required Supplementary Information**  
**June 30, 2017**  
**(Continued)**

**I. Schedule of Employer's Proportionate Share of the Net Pension Liability (continued)**

**B. Changes of Benefit Terms**

No changes during the years presented.

**C. Changes of Size or Composition of Population Covered by Benefit Terms**

No changes during the years presented.

**II. Notes to the Schedule of District Contributions**

**A. Changes to Assumptions or Other Inputs**

No changes during the years presented.

**B. Changes of Benefit Terms**

No changes during the years presented.

**C. Changes of Size or Composition of Population Covered by Benefit Terms**

No changes during the years presented.

Garfield County School District No. 16

Supplementary Information



**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Bond Redemption Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	<u>2017</u>			<b>Final Budget Variance Positive (Negative)</b>	<u>2016</u>
	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>		<b>Actual Amounts</b>
<b>REVENUES</b>					
Property taxes	5,413,600	5,543,060	5,526,408	(16,652)	5,378,894
Investment income (loss)	-	-	1,932	1,932	(8,018)
Other revenue	-	-	1	1	110
Total revenues	<u>5,413,600</u>	<u>5,543,060</u>	<u>5,528,341</u>	<u>(14,719)</u>	<u>5,370,986</u>
<b>EXPENDITURES</b>					
Debt service:					
Principal	2,903,781	3,555,000	3,555,000	-	3,410,000
Interest and fiscal charges	2,509,819	1,988,060	1,996,118	(8,058)	2,128,810
Total expenditures	<u>5,413,600</u>	<u>5,543,060</u>	<u>5,551,118</u>	<u>(8,058)</u>	<u>5,538,810</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>-</u>	<u>(22,777)</u>	<u>(22,777)</u>	<u>(167,824)</u>
<b>FUND BALANCES, BEGINNING</b>			<u>9,850,227</u>		<u>10,018,051</u>
<b>FUND BALANCES, ENDING</b>			<u>9,827,450</u>		<u>9,850,227</u>

The accompanying notes are integral part of these financial statements.

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Building Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017			Final Budget Variance Positive (Negative)	2016
	Original Budget	Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>					
State income	928,175	3,201,735	2,811,124	(390,611)	733,700
Investment income	30,000	30,000	35,572	5,572	90,061
Total revenues	<u>958,175</u>	<u>3,231,735</u>	<u>2,846,696</u>	<u>(385,039)</u>	<u>823,761</u>
<b>EXPENDITURES</b>					
Buildings and improvements	17,245,212	9,007,171	10,028,690	(1,021,519)	20,415,640
Furniture and fixtures	-	-	30,122	(30,122)	-
Equipment	3,576,166	2,674,797	959,723	1,715,074	638,342
Professional services	826,347	826,347	550,107	276,240	2,118,781
Property services	96,362	96,362	1,053	95,309	14,442
Total expenditures	<u>21,744,087</u>	<u>12,604,677</u>	<u>11,569,695</u>	<u>1,034,982</u>	<u>23,187,205</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(20,785,912)</u>	<u>(9,372,942)</u>	<u>(8,722,999)</u>	649,943	<u>(22,363,444)</u>
<b>OTHER FINANCING SOURCES</b>					
Bond proceeds	20,785,911	9,372,942	-	(9,372,942)	-
Total other financing sources	<u>20,785,911</u>	<u>9,372,942</u>	<u>-</u>	<u>(9,372,942)</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(1)</u>	<u>-</u>	<u>(8,722,999)</u>	<u>(8,722,999)</u>	<u>(22,363,444)</u>
<b>FUND BALANCES, BEGINNING</b>			9,761,593		32,125,037
<b>FUND BALANCES, ENDING</b>			<u>1,038,594</u>		<u>9,761,593</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2017**

	Special Revenue Fund		Capital Projects Fund	Total Non-Major Governmental Funds
	Food Service Fund	Royalty Fund		
<b>ASSETS</b>				
Accounts receivable, net:				
Other	33,214	-	-	33,214
Due from other funds	-	413,575	1,055,430	1,469,005
Inventories	47,079	-	-	47,079
Total assets	<u>80,293</u>	<u>413,575</u>	<u>1,055,430</u>	<u>1,549,298</u>
<b>LIABILITIES</b>				
Accrued salaries	9,409	-	-	9,409
Due to other funds	14,154	-	-	14,154
Other deferred revenue	2,884	-	-	2,884
Total liabilities	<u>26,447</u>	<u>-</u>	<u>-</u>	<u>26,447</u>
<b>FUND BALANCES</b>				
Non-spendable				
Inventories	47,079	-	-	47,079
Committed:				
Food service	6,767	-	-	6,767
Capital projects	-	413,575	1,055,430	1,469,005
Total fund balances	<u>53,846</u>	<u>413,575</u>	<u>1,055,430</u>	<u>1,522,851</u>
Total liabilities and fund balances	<u>80,293</u>	<u>413,575</u>	<u>1,055,430</u>	<u>1,549,298</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Combining Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2017**

	<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Non-Major Governmental Funds</u>
	<u>Food Service Fund</u>	<u>Royalty Fund</u>		
<b>REVENUES</b>				
Federal income	329,192	-	-	329,192
State income	7,708	-	-	7,708
Other revenue	80,308	103,201	-	183,509
Total revenues	<u>417,208</u>	<u>103,201</u>	<u>-</u>	<u>520,409</u>
<b>EXPENDITURES</b>				
General administration	-	4,000	-	4,000
Transportation	-	76,547	-	76,547
Food service	529,872	-	-	529,872
Capital outlay	-	-	40,254	40,254
Total expenditures	<u>529,872</u>	<u>80,547</u>	<u>40,254</u>	<u>650,673</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(112,664)</u>	<u>22,654</u>	<u>(40,254)</u>	<u>(130,264)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	75,000	-	535,000	610,000
Total other financing sources	<u>75,000</u>	<u>-</u>	<u>535,000</u>	<u>610,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	(37,664)	22,654	494,746	479,736
<b>FUND BALANCES, BEGINNING</b>	<u>91,510</u>	<u>390,921</u>	<u>560,684</u>	<u>1,043,115</u>
<b>FUND BALANCES, ENDING</b>	<u><u>53,846</u></u>	<u><u>413,575</u></u>	<u><u>1,055,430</u></u>	<u><u>1,522,851</u></u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Food Services Fund**  
**Schedule of Revenues, Expenditures and Changes in Net Position**  
**Assets - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	2017		Variance Positive (Negative)	2016
	Original and Final Budget	Actual Amounts		Actual Amounts
<b>REVENUES</b>				
Food sales	146,432	80,308	(66,124)	112,693
Federal reimbursement	301,515	329,192	27,677	312,256
State reimbursement	3,500	7,708	4,208	8,691
Total revenues	<u>451,447</u>	<u>417,208</u>	<u>(34,239)</u>	<u>433,640</u>
<b>EXPENDITURES</b>				
Food service	526,447	529,872	(3,425)	516,107
Total expenditures	<u>526,447</u>	<u>529,872</u>	<u>(3,425)</u>	<u>516,107</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(75,000)</u>	<u>(112,664)</u>	<u>(37,664)</u>	<u>(82,467)</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers in	75,000	75,000	-	100,000
Total other financing sources	<u>75,000</u>	<u>75,000</u>	<u>-</u>	<u>100,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(37,664)</u>	<u>(37,664)</u>	17,533
<b>TOTAL NET POSITION, BEGINNING</b>		<u>91,510</u>		<u>73,977</u>
<b>TOTAL NET POSITION, ENDING</b>		<u><u>53,846</u></u>		<u><u>91,510</u></u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Royalty Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>	<u>Actual Amounts</u>
<b>REVENUES</b>				
Other sources	150,000	103,201	(46,799)	117,265
Total revenues	<u>150,000</u>	<u>103,201</u>	<u>(46,799)</u>	<u>117,265</u>
<b>EXPENDITURES</b>				
General administration	-	4,000	(4,000)	-
Support services	150,000	-	150,000	-
Transportation	-	76,547	(76,547)	-
Total expenditures	<u>150,000</u>	<u>80,547</u>	<u>69,453</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	22,654	<u>22,654</u>	117,265
<b>FUND BALANCES, BEGINNING</b>		<u>390,921</u>		<u>273,656</u>
<b>FUND BALANCES, ENDING</b>		<u>413,575</u>		<u>390,921</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**(With Comparative Actual Amounts for 2016)**

	<u>2017</u>			<u>Final Budget</u>	<u>2016</u>
	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u> <u>Amounts</u>	<u>Variance</u> <u>Positive</u> <u>(Negative)</u>	<u>Actual</u> <u>Amounts</u>
<b>EXPENDITURES</b>					
Equipment	-	10,331	33,054	(22,723)	40,681
Other	-	3,950	7,200	(3,250)	-
Contingency	110,684	96,403	-	96,403	-
Total expenditures	<u>110,684</u>	<u>110,684</u>	<u>40,254</u>	<u>70,430</u>	<u>40,681</u>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>OVER EXPENDITURES</b>	<u>(110,684)</u>	<u>(110,684)</u>	<u>(40,254)</u>	<u>70,430</u>	<u>(40,681)</u>
<b>OTHER FINANCING SOURCES</b>					
Transfers in (out)	110,684	595,684	535,000	(60,684)	550,000
Total other financing sources	<u>110,684</u>	<u>595,684</u>	<u>535,000</u>	<u>(60,684)</u>	<u>550,000</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>485,000</u>	<u>494,746</u>	<u>9,746</u>	<u>509,319</u>
<b>FUND BALANCES, BEGINNING</b>			<u>560,684</u>		<u>51,365</u>
<b>FUND BALANCES, ENDING</b>			<u>1,055,430</u>		<u>560,684</u>

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

**GARFIELD COUNTY SCHOOL DISTRICT NO. 16**  
**Schedule of Revenues, Expenditures, and Changes in Fiduciary**  
**Assets and Liabilities - Budget and Actual (GAAP Basis)**  
**Pupil Activity Agency Fund**  
**For the Year Ended June 30, 2017**  
**(With Comparative Actual Amounts for 2016)**

	<u>2017</u>			<u>2016</u>
	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Positive (Negative)</u>	<u>Actual Amounts</u>
<b>ADDITIONS</b>				
Programs	-	772,001	772,001	276,578
Total additions	<u>-</u>	<u>772,001</u>	<u>772,001</u>	<u>276,578</u>
 <b>DEDUCTIONS</b>				
Programs	350,000	775,480	(425,480)	261,447
Total deductions	<u>350,000</u>	<u>775,480</u>	<u>(425,480)</u>	<u>261,447</u>
 <b>CHANGE IN FIDUCIARY ASSETS AND LIABILITIES</b>	<u>(350,000)</u>	<u>(3,479)</u>	<u>346,521</u>	15,131
 <b>DUE TO STUDENT ACTIVITIES, BEGINNING</b>		<u>178,184</u>		<u>163,053</u>
<b>DUE TO STUDENT ACTIVITIES, ENDING</b>		<u>174,705</u>		<u>178,184</u>

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



Colorado Department of Education

Auditors Integrity Report

District: 1220 - GARFIELD 16

Fiscal Year 2016-17

Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

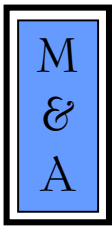
Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,341,072	11,511,207	12,124,265	2,728,014
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>3,341,072</b>	<b>11,511,207</b>	<b>12,124,265</b>	<b>2,728,014</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	390,921	103,201	80,547	413,575
06 Supplemental Cap Const, Tech, Main. Fund	0	0	0	0
21 Food Service Spec Revenue Fund	91,510	492,207	529,871	53,846
22 Govt Designated-Purpose Grants Fund	0	948,412	948,412	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	9,850,227	5,528,341	5,551,118	9,827,450
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	9,761,593	2,846,695	11,569,695	1,038,594
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	560,684	535,000	40,253	1,055,430
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
<b>Totals</b>	<b>23,996,007</b>	<b>21,965,064</b>	<b>30,844,162</b>	<b>15,116,909</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	178,184	672,104	675,583	174,705
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>178,184</b>	<b>672,104</b>	<b>675,583</b>	<b>174,705</b>

FINAL

Garfield County School District No. 16

Single Audit Reports and Schedules





# MCMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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

**To the Board of Education  
Garfield County School District No. 16  
Parachute, Colorado**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District No. 16 (the "District") as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 13, 2017.

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

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

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

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

### ***Compliance and Other Matters***

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

*Member: American Institute of Certified Public Accountants*

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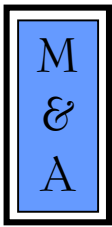
**INDEPENDENT AUDITOR'S REPORT  
To the Board of Education  
Garfield County School District No. 16  
Parachute, Colorado**

***Purpose of this Report***

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

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.  
December 13, 2017**



# MCMAHAN AND ASSOCIATES, L.L.C.

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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

**To the Board of Education  
Garfield County School District No. 16  
Parachute, Colorado**

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

We have audited the compliance of the Garfield County School District No. 16 (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

### ***Management's Responsibilities***

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

### ***Auditor's Responsibilities***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Garfield County School District No. 16**  
**Parachute, Colorado**

***Report on Internal Control Over Compliance***

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

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

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

***Purpose of this Report***

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

*McMahan and Associates, L.L.C.*

**McMahan and Associates, L.L.C.**  
**December 13, 2017**

**Garfield County School District No. 16**  
**SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

**Part I: Summary of Auditor's Results**

*Financial Statements*

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Noncompliance material to financial statements noted	None noted

*Federal Awards*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None noted
Major programs:	
School Breakfast Program	CFDA# 10.553
National School Lunch Program	CFDA# 10.555
After School Snack Program	CFDA# 10.555
Food Distribution, Commodities	CFDA# 10.555
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	No

**Part II: Findings Related to Financial Statements**

Findings related to financial statements as required by Government Auditing Standards	None noted
Auditor-assigned reference number	Not applicable

**Part III: Findings Related to Federal Awards**

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted

**Garfield County School District No. 16**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2017**

**Note:** There were no findings for the fiscal year ended June 30, 2016

**Garfield County School District No. 16**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2017**

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Grant Project Code</u>	<u>Expenditures</u>
<b>Department of Education:</b>			
<b>Passed through Colorado Department of Education:</b>			
Title I - ESEA	84.010	4010	\$ 214,554
Title II A - Teacher Quality	84.367	4367	35,489
Title III Part A - English Language Acquisition	84.365	4365	12,587
Title IV - Small, Rural School Achievement	84.358	4358	18,297
21st Century After School Learning Program	84.287	5287	100,307
Race To The Top - Early Childhood Readiness Assessment	84.412	4412	18,634
<b>Total Department of Education</b>			<u>399,868</u>
<b>Department of Agriculture:</b>			
<b>Passed through Colorado Department of Education:</b>			
School Breakfast Program	10.553	4553	116,860 <b>A</b>
National School Lunch Program	10.555	4555	183,250 <b>A</b>
After School Snack Program	10.555	4555	2,053 <b>A</b>
<b>Passed through Colorado Department of Human Services:</b>			
Food Distribution, Commodities	10.555	4555	27,029 <b>A</b>
<b>Passed through Garfield County Colorado:</b>			
Schools and Roads - Grants to States	10.665	7665	26,096
<b>Total Department of Agriculture</b>			<u>355,288</u>
<b>Total Expenditures</b>			<u>\$ 755,156</u>

**Additional Information for Clusters:**

A Child Nutrition Cluster	\$ 329,192
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**Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2017**

**Note 1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garfield School District No. 16 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

**Note 2. Determining the Value of Non-cash Awards Expended:**

Food Commodities: Fair market value of commodities at the time recipient receives award or the assessed value provided by the federal agency.

**Note 3. Indirect Facilities and Administration Costs**

The District does not use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs. Instead, the District prepares an annual cost allocation plan to allocate indirect costs.

**Note 4. Sub recipients:**

The District had no sub-recipients as of June 30, 2017