



STEAMBOAT SPRINGS SCHOOL DISTRICT RE-2
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017



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INDEPENDENT AUDITORS' REPORT

October 26, 2017

The Board of Education
Steamboat Springs School District RE-2
Steamboat Springs, Colorado

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Steamboat Springs School District RE-2 (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 opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of Steamboat Springs School District RE-2, as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining statement and schedule for the nonmajor governmental funds, the budgetary comparison schedules, the schedule of changes in assets and liabilities of the agency fund, and the Auditor's Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Steamboat Springs School District RE-2
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2017**

As management of the Steamboat Springs School District RE-2, Routt County, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the primary government for the fiscal year ended June 30, 2017.

Financial Highlights

- The assets and deferred outflows of the District were less than its liabilities at the close of the most recent fiscal year by (\$31,699,163) (*net position* for the primary reporting entity excluding the charter school). Of this amount, (\$56,042,675) (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors. These negative net positions are strongly impacted by the Net Pension Obligation, which is an attempt to illustrate the District's share of PERA's unfunded liability. Net Pension Obligation grew by (\$49,384,857).
- The District's total net position decreased by (\$16,089,952). The decrease is primarily due to additional Net Pension Liability, which grew by (\$49,384,857).
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$11,966,301, a decrease of \$321,315 in comparison with the prior year. Most of that decrease was from the General Fund, which decreased by (\$375,992). \$500,000 was sent to subsidize the Health Fund, which had any extremely high claims year. The remaining amount of \$124,008 was from operations; the January Budget amount of deficit was (\$260,000), before considering contingency. \$5,590,322 is *available for spending* at the District's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$5,590,322, or 22.5% of total general fund expenditures.
- The District's long-term obligations increased by \$46,558,732 as a result of current year payments on bonded debt and additional Net Pension Liability.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 11-47 are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

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

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

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

The district-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund, debt service, capital projects, and special revenue funds, as well as the internal service insurance fund.

The district-wide financial statements also include information on component units that are legally separate from the District (known as the *primary government*). At the close of the current fiscal year, the District has included information for one *component unit*, the North Rount Community Charter School.

Financial information for the Charter School is presented separately from the primary government because the Charter School is financially accountable to the District and provides services to the District's students.

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

Fund Financial Statements

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

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

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

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

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

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

Proprietary funds. The District maintains one type of proprietary funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses an internal service fund to account for revenues and expenses associated with health insurance claims and premiums.

The proprietary fund financial statements are presented on pages 18-20.

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

The fiduciary fund financial statement is presented on page 21.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 22-47 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain *supplementary information* concerning the budget to actual comparison for all of the District's funds. Required supplementary information can be found on pages 48-49 and other supplementary information can be found on pages 50-58 of this report.

District-wide Financial Analysis

District-wide Net position

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax collection process; the District receives approximately 90% of the annual property tax assessment in March through June.

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

Deferred outflows of resources represents a consumption of net position that applies to a future period, and so will not be recognized as an outflow of resources until then.

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

The assets and deferred outflows of the primary government activities are less than liabilities and deferred inflows by (\$31,699,163) with an unrestricted net position balance of (\$56,042,675). Total net position of the primary government does not include internal balances.

A net investment of \$19,543,703 in land, buildings, equipment, and vehicles to provide the services to the District's 2,526 public school students. Net position of \$3,800,753 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR, \$897,360 and multiple year commitment, \$101,695, reserves are restricted.

Business-type activities are no longer applicable as the Food Service Fund moved from business-type to governmental fund.

The following table shows net position for fiscal years 2017, 2016, and 2015.

**Steamboat Springs School District
Condensed Statement of Net Position**

	Governmental Activities		
	6/30/2017	6/30/2016	6/30/2015
Assets:			
Current Assets	\$16,524,437	\$16,255,615	\$16,719,450
Capital Assets net of depreciation	\$50,210,235	\$51,618,155	\$53,153,709
Total assets	\$66,734,672	\$67,873,770	\$69,873,159
Deferred outflows	\$41,165,043	\$9,164,082	\$4,314,952
Liabilities:			
Current liabilities	\$4,831,381	\$4,307,156	\$3,762,476
Noncurrent liabilities	\$134,098,552	\$87,539,820	\$82,426,292
Total liabilities	\$138,929,933	\$91,846,976	\$86,188,768
Deferred inflows	\$668,945	\$800,087	\$86,784
Net position:			
Net investment in capital assets	\$19,543,703	\$18,408,878	\$17,613,259
Restricted	\$4,799,808	\$4,710,886	\$4,864,219
Unrestricted	(\$56,042,675)	(\$38,728,975)	(\$34,564,919)
Total net position	(\$31,699,164)	(\$15,609,211)	(\$12,087,441)

District-wide Activities

- District-wide activities decreased the net position of the District by (\$16,089,952) during the year ended June 30, 2017. The cause of this decrease is due to the increase in PERA pension liability.

The following table shows the change in net position for fiscal years 2017, 2016, and 2015.

**Steamboat Springs School District
Condensed Statement of Changes in Net Position**

	Governmental Activities		
	6/30/2017	6/30/2016	6/30/2015
Revenues			
Program Revenues:			
Charges for services	\$ 1,714,791	\$ 603,294	\$ 942,200
Operating grants and contributions	\$ 4,975,193	\$ 7,314,862	\$ 4,748,104
Capital grants and contributions			
General Revenues:			
Property taxes	\$ 14,836,516	\$ 14,173,687	\$ 14,051,998
Specific ownership taxes	\$ 1,151,305	\$ 1,055,228	\$ 1,129,729
Investment earnings	\$ 55,370	\$ 23,263	\$ 12,582
State equalization aid	\$ 8,649,761	\$ 8,409,556	\$ 7,928,833
Other revenues	\$ 113,719	\$ 178,277	\$ 157,227
Total Revenues	\$ 31,496,655	\$ 31,758,167	\$ 28,970,673
Expenses			
Governmental activities			
Instruction	\$ 28,175,792	\$ 20,772,625	\$ 16,585,241
Pupil support services	\$ 3,905,647	\$ 2,155,619	\$ 1,843,851
Instructional staff	\$ 2,234,709	\$ 1,736,232	\$ 1,560,799
General administration	\$ 1,257,955	\$ 975,717	\$ 776,816
School administration	\$ 2,989,730	\$ 1,825,882	\$ 1,594,043
Business services	\$ 877,090	\$ 642,547	\$ 569,893
Plant maintenance and operations	\$ 2,909,698	\$ 2,326,871	\$ 3,362,876
Transportation	\$ 1,535,494	\$ 1,108,917	\$ 1,023,656
Central support	\$ 1,669,768	\$ 1,294,089	\$ 1,079,625
Community services	\$ 1,476	\$ 1,580	\$ 2,689
Interest expenses	\$ 946,733	\$ 1,016,855	\$ 1,125,010
Food services	\$ 1,065,280	\$ 764,077	\$ 708,813
Total expenses	\$ 47,569,372	\$ 34,621,011	\$ 30,233,312
Excess before transfers and other	(\$ 16,072,717)	(\$ 2,862,844)	(\$ 1,262,639)
Transfers			
Proceeds of note receivable	\$ 0	\$ 0	\$ 0
Gain (loss) on sale of capital assets	\$ 0	\$ 0	\$ 20,000
Change in net position	(\$ 16,072,717)	(\$ 2,862,844)	(\$ 1,242,639)
Beginning net position	(\$ 15,609,211)	(\$ 12,087,441)	\$ 30,277,465
Change in Accounting Principle	(\$ 17,235)	(\$ 658,926)	(\$ 41,122,267)
Ending net position	(\$ 31,699,163)	(\$ 15,609,211)	(\$ 12,087,441)

Financial Analysis of the District's Governmental Funds

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

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

The general fund is the chief operating fund of the District. Student funded pupil count (FPC) increased by 7.3 FTE, 2,477.8 from 2,470.5, students during the fiscal year. Student per pupil funding (PPF) was increased by \$94, \$7,408 from \$7,314. These two variables increased funding by \$286,305 from the state's School Finance Act funding. The School Finance Act dictates that local property tax, a portion of specific ownership tax collected locally, and state equalization fund Total Program (FPC * PPF) of \$18,355,542. The split was Local property tax 45%, Specific ownership 4%, and State 51%.

The bond redemption debt service fund has adequate resources accumulated to make the December 2017 principal and interest payments. The mill levy to accumulate resources for the June 2018 interest payments will be certified in December 2017.

The capital projects fund is contracting resources to fund future capital improvements and acquisitions. Fund balance in this fund increased by \$105,154 during the current year. This fund's balance will be a budget focal point in future years.

Financial Analysis of the District's Proprietary Fund

The District uses an internal service fund to account for revenues and expenses associated with health insurance claims and premiums. This fund was set up July 1, 2012 when the district went to a self-funded insurance model. Medical, prescription, dental, vision, and administrative costs are funded through premiums from the district and employees. The fund's fund balance decreased by \$3,315 to \$122,396 from being zero after three years. The fund balance is only 2.5% of FY17's operating expenses. The ideal minimum for this fund would be more in the 15-20% range. The risk of this fund having a low fund balance is that the General Fund is ultimately responsible to meet any shortfall in the fund's annual performance. This occurred in FY17 when the General Fund subsidized the Health fund \$500,000. This fund's expenses are very volatile and hard to accurately budget, which is why a healthy fund balance is needed.

General Fund Budgetary Highlights

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

- Actual revenues, post transfers were \$267,938, or 1.1%, lower than budgeted. \$500,000 is the transfer to Health Fund, which was budgeted at \$100,000.
 - Property tax revenues was slightly lower by \$200,996, or 1.8%, due to actual collections,
 - State equalization was \$10,952, or .1%, higher than budget.
 - Specific Ownership was \$101,305, or 9.6%, higher than budget
 - Other State was \$28,552, or 5.0%, higher than budget
 - Net Allocations to other Funds: 1) Capital Fund was equal to budget (\$500K), 2) Food service was \$35,000 lower than budget as it did not need a general fund subsidy of operations, 3) Kindergarten was \$5.2K more than budget, 4) Health Fund was \$400K more than budgeted.
- Actual expenditures, negating the Contingency budgeted, were \$151,946, or .6%, lower than budget.
 - Salary expense was \$103,759, or .1%, lower than expected due to the "retirement" payout amounts.
 - Benefits expense was \$38,567, or .7%, higher than expected.
 - Purchased Services expense was \$9,835, or .5%, lower than expected.
 - Supplies expense was \$95,091, or 4.4%, lower than budget. Most of savings was in Utilities.
- Net Fund Balance change was a reduction of \$375,992. Excluding the Health Subsidy, the General Fund was budgeted to \$160,000 in deficit, but the Actual was \$124,008 surplus or a \$284,008 better than the original budgeted \$160,000 deficit.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental and business-type activities as of June 30, 2017 decreased to \$50,210,235 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment. Capital assets decreased by 2.7% in governmental activities.

Major capital events during the year include the following:

- Bus, snow removal Pickup & 2 Small Vehicle Purchase of \$295,645
- Equipment was purchased at a cost of \$ 77,645

Steamboat Springs School District RE-2
Capital Assets (net of accumulated depreciation)
June 30, 2017

	Governmental Activities
Land & C.I.P	\$ 1,080,064
Buildings	47,609,367
Equipment	<u>1,520,804</u>
	<u>\$ 50,210,235</u>

Additional information on the District’s capital assets can be found in note D on pages 32-33 of this report.

At June 30, 2017, the District had total bonded debt outstanding of \$27,300,000 backed by the full faith and credit of the District. The District also had \$2,580,000 in certificates of participation, also backed by the full faith and credit of the District.

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

The District maintains an “Aa2” rating from Moody’s for all general obligation debt, and an “AAA” rating from Standard & Poor’s for the 2007 bonds.

State statutes limit the amount of general obligation debt to 20% of Assessed Valuation. Assessed Valuation in December 2016 was \$824,111,932. Legal debt limit is \$164,822,386, which is significantly in excess of the District’s outstanding general obligation debt.

Additional information on the District’s long-term obligations can be found in note E on pages 33-36.

Economic Factors and Next Year’s Budgets and Rates

Budget

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

School Report Cards

The State issues school report cards for every public school in the state. The report card gives each school a performance grade based on the state tests given to all students third through tenth grades. Eleventh graders are required to take the Scholastic Aptitude Test (SAT). The District was accredited with distinction for the 2010-2011, 2011-2012, 2012-2013, 2013-2014, 2014-2015, and 2015-2016 years.

Requests for Information

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

Mark Rydberg, Finance Director,
Steamboat Springs School District RE-2
325 7th Street
Steamboat Springs, CO 80477

Complete financial statements for the Charter School may be obtained at the School's offices.

Steamboat Springs School District RE-2
STATEMENT OF NET POSITION
June 30, 2017

	Governmental Activities	Component Unit Charter School
ASSETS		
Cash and investments	\$ 12,284,204	\$ 210,662
Property taxes receivable (net)	2,676,583	-
Due from other governments	1,432,580	-
Note receivable from component unit	50,000	-
Inventories and prepaid expenses	81,070	-
Capital assets, net of accumulated depreciation	50,210,235	4,140,550
Total Assets	<u>66,734,672</u>	<u>4,351,212</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunded debt	1,297,431	-
Deferred outflows related to pension	39,867,611	1,214,950
Total Deferred Outflows of Resources	<u>41,165,043</u>	<u>1,214,950</u>
LIABILITIES		
Accounts payable and other accrued liabilities	348,587	2,968
Accrued compensation	4,024,955	85,202
Accrued interest	90,028	-
Claims payable	264,618	-
Unearned revenues	103,194	2,317
Noncurrent liabilities		
Due within one year		
Bonds/Notes	2,455,000	27,992
Due in more than one year		
Bonds/Notes	29,508,963	78,838
Net pension obligation	102,134,589	2,809,777
Total Liabilities	<u>138,929,933</u>	<u>3,007,094</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	668,945	12,696
Total Deferred Inflows of Resources	<u>668,945</u>	<u>12,696</u>
NET POSITION		
Net investment in capital assets	19,543,703	4,083,720
Restricted for:		
Debt service	3,800,753	-
TABOR	897,360	-
Multiple year commitments	101,695	-
Construction	-	44,500
Unrestricted	(56,042,675)	(1,581,848)
Total Net Position	<u>\$ (31,699,163)</u>	<u>\$ 2,546,372</u>

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

Steamboat Springs School District RE-2
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense)	Component
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities	Charter School
Governmental activities:					
Instruction	\$ 28,175,792	\$ 769,111	\$ 4,363,833	\$ -	\$ -
Pupil support services	3,905,647	-	95,450	-	-
Instructional staff	2,234,709	-	136,719	-	-
General administration	1,257,955	-	-	-	-
School administration	2,989,730	37,789	-	-	-
Business services	877,090	-	-	-	-
Operations and maintenance	2,909,698	273,139	-	-	-
Transportation	1,535,494	166,751	138,910	-	-
Central support	1,669,768	-	-	-	-
Community services	1,476	-	-	-	-
Food service	1,065,280	468,001	240,282	-	-
Interest on long-term debt	946,733	-	-	-	-
Total governmental activities	\$ 47,569,372	\$ 1,714,791	\$ 4,975,193	\$ -	\$ -
Component units:					
Charter school	\$ 1,571,621	\$ 104,395	\$ 127,057	\$ -	\$ (1,314,069)
Total component unit	\$ 1,571,621	\$ 104,395	\$ 127,057	\$ -	\$ (1,314,069)
General revenues:					
Property taxes, levied for general purposes				11,042,256	-
Property taxes, levied for kindergarten				506,771	-
Property taxes, levied for debt service				3,287,489	-
Specific ownership taxes				1,151,305	-
State aid – equalization				8,649,761	764,018
Other State aid				34,618	-
Federal aid				79,101	-
Investment earnings				55,370	-
Total general revenues				24,806,671	764,018
Change in net position				(16,072,717)	(550,051)
Net position - beginning				(15,609,211)	3,122,106
Prior period adjustment				(17,235)	(25,683)
Net position - beginning, restated				(15,626,446)	3,096,423
Net position - ending				\$ (31,699,163)	\$ 2,546,372

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

Steamboat Springs School District RE-2
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,332,637	\$ -	\$ 1,617,628	\$ 2,950,265
Investments	5,555,781	3,372,475	-	8,928,256
Property taxes receivable	2,045,176	544,432	86,975	2,676,583
Due from other governments	1,429,824	-	2,756	1,432,580
Due from other funds	10,025	-	10,159	20,184
Inventory	-	-	706	706
Prepaid items	80,364	-	-	80,364
Total Assets	<u>\$ 10,453,807</u>	<u>\$ 3,916,907</u>	<u>\$ 1,718,224</u>	<u>\$ 16,088,938</u>
LIABILITIES				
Current Liabilities				
Accounts payable and accrued liabilities	\$ 318,111	\$ -	\$ 11,807	\$ 329,918
Accrued compensation	2,997,837	-	147,405	3,145,242
Due to other funds	10,159	-	10,025	20,184
Unearned revenues	71,127	-	32,067	103,194
Total Liabilities	<u>3,397,234</u>	<u>-</u>	<u>201,304</u>	<u>3,598,538</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable property taxes	386,832	116,154	21,113	524,099
FUND BALANCES				
Nonspendable	80,364	-	706	81,070
Restricted				
Emergencies	897,360	-	-	897,360
Debt service	-	3,800,753	-	3,800,753
Multiple year commitments	101,695	-	-	101,695
Assigned				
Other capital projects	-	-	1,407,156	1,407,156
Food service	-	-	87,945	87,945
Unassigned	5,590,322	-	-	5,590,322
Total fund balances	<u>6,669,741</u>	<u>3,800,753</u>	<u>1,495,807</u>	<u>11,966,301</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 10,453,807</u>	<u>\$ 3,916,907</u>	<u>\$ 1,718,224</u>	<u>\$ 16,088,938</u>

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

Steamboat Springs School District RE-2
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2017

Total fund balances – governmental funds	\$ 11,966,301
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$82,051,917 and the accumulated depreciation is \$31,841,682	50,210,235
Deferred charge on refunded debt is not a financial resource and therefore is not reported as an asset in the governmental funds	1,297,431
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	122,396
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred in the funds.	524,099
Long-term assets, including notes receivable are not collectible in the current period, and therefore, are not reported as assets in the funds	50,000
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds and COPs payable	(29,880,000)
Accrued interest payable	(90,028)
Compensated absences	(643,775)
Special termination benefits payable	(235,938)
Premium on bonds	(2,083,963)
Net pension obligation	(102,134,589)
Deferred inflows related to pension	(668,945)
Deferred outflows related to pension	39,867,611
	(95,869,626)
Total net position – governmental activities	\$ (31,699,163)

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

Steamboat Springs School District RE-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES				
Property taxes	\$ 10,858,958	\$ 3,233,115	\$ 485,658	\$ 14,577,731
Specific ownership taxes	1,151,305	-	-	1,151,305
Federal sources	305,969	-	233,089	539,058
State sources				
Equalization	8,649,761	-	-	8,649,761
Transportation	138,910	-	-	138,910
Other State	460,381	-	7,193	467,574
Mineral leases	34,618	-	-	34,618
Local and intermediate sources	3,914,279	-	475,835	4,390,114
Interest	33,015	10,834	11,521	55,370
Total revenues	<u>25,547,196</u>	<u>3,243,949</u>	<u>1,213,296</u>	<u>30,004,441</u>
EXPENDITURES				
Current				
Instruction services	13,934,838	-	653,867	14,588,705
Supporting services				
Pupil support services	2,263,182	-	-	2,263,182
Instructional staff	1,356,041	-	-	1,356,041
General administration	675,558	-	-	675,558
School administration	1,670,627	-	-	1,670,627
Business services	510,014	-	-	510,014
Operations and maintenance	2,138,457	-	-	2,138,457
Transportation	894,646	-	-	894,646
Central support	1,097,213	-	-	1,097,213
Community services	1,476	-	-	1,476
Food services	-	-	722,370	722,370
Capital outlay	-	-	406,151	406,151
Debt service				
Principal	120,000	2,305,000	-	2,425,000
Interest	86,002	970,829	-	1,056,831
Other	-	2,250	-	2,250
Total expenditures	<u>24,748,054</u>	<u>3,278,079</u>	<u>1,782,388</u>	<u>29,808,521</u>
Excess of revenues over (under) expenditures	799,142	(34,130)	(569,092)	195,920
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	675,134	675,134
Transfers out	(1,175,134)	-	-	(1,175,134)
Net change in fund balances	<u>(375,992)</u>	<u>(34,130)</u>	<u>106,042</u>	<u>(304,080)</u>
Fund balances, beginning of year	7,045,733	3,834,883	1,407,000	12,287,616
Prior period adjustment	-	-	(17,235)	(17,235)
Restated Fund balances, beginning of year	<u>7,045,733</u>	<u>3,834,883</u>	<u>1,389,765</u>	<u>12,270,381</u>
Fund balances, end of year	<u>\$ 6,669,741</u>	<u>\$ 3,800,753</u>	<u>\$ 1,495,807</u>	<u>\$ 11,966,301</u>

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

Steamboat Springs School District RE-2
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES**

For the Year Ended June 30, 2017

Change in fund balances – governmental funds		\$	(304,080)
<p>Amounts reported for <i>governmental activities</i> in the statement of activities are different because: Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeds capital outlays in the period.</p>			
	Depreciation expense	(1,840,473)	
	Capital outlays	432,554	(1,407,919)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.			2,425,000
Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Deferred tax revenues decreased by this amount this year.			258,786
Repayment of long-term note receivable principal is a revenue in the governmental funds, but the repayment reduces long-term receivables in the statement of net position.			(10,000)
In the statement of activities, certain operating expenses – compensated absences and special termination benefits – are measured by the amounts <i>earned</i> during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used. This year, vacation time earned was more than the amounts used by \$146,748. Special termination benefits earned were more than the amounts paid by \$25,167.			(171,915)
In the governmental funds, expenditures for the defined benefit pension plan are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension liability and related deferred inflows and outflows (increased) decreased in the current year.			(16,969,374)
Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.			117,746
Internal service funds are used by management to charge the costs of health insurance to individual funds. The net revenue (loss) of certain activities of internal service funds is reported with governmental activities			(3,315)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.			(7,646)
Change in net position of governmental activities			<u>\$ (16,072,717)</u>

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

Steamboat Springs School District RE-2
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 11,047,935	\$ 11,059,954	\$ 10,858,958	\$ (200,996)
Specific ownership taxes	1,025,000	1,050,000	1,151,305	101,305
Federal sources	327,606	326,475	305,969	(20,506)
State sources				
Equalization	8,752,850	8,638,809	8,649,761	10,952
Transportation	145,000	137,630	138,910	1,280
Other State	420,692	433,109	460,381	27,272
County sources, mineral leases	45,000	34,618	34,618	-
Local and intermediate sources	3,645,918	3,739,405	3,914,279	174,874
Interest	10,000	25,000	33,015	8,015
Total revenues	25,420,001	25,445,000	25,547,196	102,196
EXPENDITURES				
Current				
Instruction services	14,558,110	14,089,057	13,934,838	154,219
Supporting services				
Pupil support services	2,140,985	2,274,638	2,263,182	11,456
Instructional staff	1,174,495	1,324,580	1,356,041	(31,461)
General administration	705,922	732,571	675,558	57,013
School administration	1,680,302	1,663,598	1,670,627	(7,029)
Business services	531,580	540,191	510,014	30,177
Operations and maintenance	2,076,885	2,064,087	2,138,457	(74,370)
Transportation	947,292	915,511	894,646	20,865
Central support	1,123,600	1,086,767	1,097,213	(10,446)
Community services	1,500	1,500	1,476	24
Debt service				
Principal	120,000	120,000	120,000	-
Interest on COPs	87,500	87,500	86,002	1,498
Contingency	7,747,469	6,785,733	-	6,785,733
Total expenditures	32,895,640	31,685,733	24,748,054	6,937,679
Excess of revenues over (under) expenditures	(7,475,639)	(6,240,733)	799,142	7,039,875
OTHER FINANCING SOURCES (USES)				
Transfers out	(305,000)	(805,000)	(1,175,134)	(370,134)
Net change in fund balances	(7,780,639)	(7,045,733)	(375,992)	6,669,741
Fund balance, beginning of year	7,780,639	7,045,733	7,045,733	-
Fund balance, end of year	\$ -	\$ -	\$ 6,669,741	\$ 6,669,741

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

Steamboat Springs School District RE-2
STATEMENT OF FUND NET POSITION
PROPRIETARY FUND
June 30, 2017

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Cash and cash equivalents	\$ 405,683
Total assets	405,683
LIABILITIES	
Current Liabilities	
Accounts payable	18,669
Claims payable	264,618
Total liabilities	283,287
NET POSITION	
Unrestricted	122,396
Total net position	\$ 122,396

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

Steamboat Springs School District RE-2
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUND
For the Year Ended June 30, 2017

	Governmental Activities - Internal Service Fund
Operating revenues	
Fees	\$ 4,299,490
Total operating revenues	4,299,490
Operating expenses	
Insurance claims	3,789,593
Administration fees	1,013,212
Total operating expenses	4,802,805
Operating income (loss)	(503,315)
Transfers in	500,000
Change in net position	(3,315)
Total net position, beginning	125,711
Total net position, ending	\$ 122,396

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

Steamboat Springs School District RE-2
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended June 30, 2017

	<u>Governmental Activities - Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 4,299,490
Cash payments to suppliers for goods and services	<u>(4,692,087)</u>
Net cash provided (used) by operating activities	(392,597)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers in	500,000
Change in due from other funds	<u>75,000</u>
Net cash provided (used) by noncapital financing activities	<u>575,000</u>
Net increase (decrease) in cash and cash equivalents	182,403
Cash and cash equivalents at beginning of year	<u>223,280</u>
Cash and cash equivalents at end of year	<u><u>\$ 405,683</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (503,315)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities	
Accounts payable	17,347
Claims payable	<u>93,371</u>
Net cash provided (used) by operating activities	<u><u>\$ (392,597)</u></u>

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

Steamboat Springs School District RE-2
STATEMENT OF FIDUCIARY FUND NET POSITION
June 30, 2017

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 477,444
Cash held by others	163,008
Total assets	<u>\$ 640,452</u>
LIABILITIES	
Due to student groups	\$ 640,452
Total liabilities	<u>\$ 640,452</u>

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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Steamboat Springs School District RE-2 (District) have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

1. Reporting Entity

In conformance with GASB, Steamboat Springs School District RE-2, Routt County, Steamboat Springs, Colorado, is the reporting entity for financial report purposes. The District is the primary government financially accountable for all activities of public school instruction within the geographical area organized as Steamboat Springs School District RE-2. The District meets the criteria of a primary government: its Board of Education is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity.

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

Discretely Presented Component Unit: On June 25, 2001, the Steamboat Springs School District Board of Education entered into a contract with the North Routt Community Charter School (Charter School), establishing the school in north Routt County. The Charter School is considered a legally separate entity and a public school subject to the provision of the Colorado Revised Statutes Title 22, Article 7, Part 6. The District is required by State Statute to pass through to the Charter School 95% of the District's per pupil operating revenue. The Charter School is presented as a governmental fund type. Complete financial statements for the Charter School may be obtained at the entity's administrative offices.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. The Education Fund Board collects sales taxes and remits to the District upon grant approval. Sales taxes collected by the Education Fund Board are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

The District reports the following major governmental funds:

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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The District reports the following major proprietary fund:

The *insurance fund* internal service fund is used to account for revenues and expenditures associated with health insurance claims and premiums.

Additionally, the District reports the follow fund type:

Fiduciary fund, the pupil activity fund, is used to account for revenues and expenditures associated with class and club activities.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund is charges for health insurance premiums. Operating expenses for the proprietary fund include the cost of services, administrative expenses, and payments of health insurance claims. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Deposits and Investments

For the purposes of the statement of cash flows, cash and cash equivalents includes all cash and investments as held by the proprietary fund with original maturities of three months or less from the date of acquisition.

Investments in securities are stated at fair value.

Receivables and Payables

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

Property taxes are levied by the Board of Education. The levy is based on assessed valuations determined by the County Assessor generally as of January 1st of each year. The levy is set by December 15th by certification to the County Commissioners to put the tax lien on the individual properties as of December of each year.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The County Treasurer collects the determined taxes during the ensuing calendar year. The taxes are payable by April 30th or, if in equal installments, at the taxpayers election on February 28th and June 15th. Delinquent taxpayers are notified in August and tax sales of the liens on delinquent properties are held in November. The County Treasurer remits the taxes collected monthly to the District.

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

Inventories

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

Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building	50
Building improvements	25
Vehicles	10
Office equipment	10
Computer equipment	5

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Compensated Absences and Retirement Liability

Each employee of the District may accumulate unlimited sick leave, payable upon termination to the employee after a minimum of seven years of service, at one-half the daily substitute base pay. The District accrues a liability in the appropriate funds for compensated absences, which meet the following criteria:

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

Each employee who has been employed by the District for 18 or more years is eligible to participate in a retirement plan. Amounts are payable upon retirement or may be split over the last three years of employment if the employee chooses to work an additional 10 days per year.

Accrued Salaries

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1, to August 30, but are earned over a school year of approximately nine months. The salaries and benefits earned, but unpaid, at June 30, 2017, are reflected in the financial statements as an accrued liability.

Long-Term Obligations

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

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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category. One is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The other deferred outflows relate to the recording of the net pension liability.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has items, one of which arises only under a modified accrual basis of accounting and the others which relate to the recording of the net pension liability, that qualify for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resource in the period that the amounts become available.

Fund Equity

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

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution approved by the Board of Education. Amounts can be un-committed only by action of the Board of Education.
4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed. Assigned fund balance allows the Board of Education to delegate the authority to spend to the Superintendent or designee.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Steamboat Springs School District's Comprehensive Fund Balance Policy:

Order of Fund Balance Spending Policy

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

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

5. **Jointly Governed Organization**

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

6. **Budgetary Information**

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

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

Formal budgetary integration is employed as a management control device during the year for the Governmental and Internal Service funds. The appropriated budget is prepared by fund. The District's department heads may not make transfers of appropriations. The legal level of control is the fund level.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Finance Director. Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances.

The Board of Education may authorize supplemental appropriations during the year. Supplemental appropriations were necessary during the fiscal year ended June 30, 2017.

The District's Internal Service Fund had expenditures in excess of appropriations of \$992,805. This was covered by unanticipated stop loss revenues and transfers that were not budgeted and appropriated.

7. Pensions

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

8. Estimates

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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

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

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At June 30, 2017, the District's cash deposits, had a book balance of \$2,400,145, and a corresponding bank balance of \$2,708,626. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. \$250,000 of the bank balance was covered by federal deposit insurance. The remainder of \$2,458,626 was covered under PDPA as explained above.

At June 30, 2017, \$163,008 was held by a third party in the District's name. The balance was covered by federal deposit insurance.

The carrying amount of the North Routt Community Charter School's deposits at June 30, 2017 was \$210,622 and bank balances were \$226,165. All bank balances at June 30, 2017 were covered by federal deposit insurance.

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

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

State statutes do not address custodial risk.

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

At June 30, 2017, the District’s deposits, classified as investments, are as follows:

<u>Investments</u>	<u>Maturities</u>	<u>Total Fair Value</u>
Cash in trust – COLOTRUST	Less than 1 year	\$2,213,766
Cash in trust – Federal Home Loan Note	Less than 1 year	563,340
Cash in trust – US Treasury Bills	Less than 1 year	595,369
COLOTRUST	Less than 1 year	<u>6,985,570</u>
	Total	<u>\$ 10,358,045</u>

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

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agencies. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies. The money market trust and government securities are not rated. As of June 30, 2017, the local government investment pool in which the District participates, COLOTRUST, was rated AAAM by Standard and Poor’s.

Concentration Risk – At June 30, 2017, the District’s investment in COLOTRUST represented 89% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

Local government investment pools – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. COLOTRUST operates like a 2a-7 external investment pool and investments in the pool are valued at \$1 net asset value (NAV) per share. The underlying investments held by COLOTRUST are valued at fair value. The investment pools are routinely monitored by the Colorado Division of Securities with regard to operations and investments. Investments consist of U.S. Treasury Notes and other similar investments. Financial statements for the District’s government investment pool is available at www.colotrust.com.

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

Cash	\$ 2,566,611
Investments	<u>10,358,045</u>
Total	<u>\$ 12,924,656</u>
Statement of Net Position:	
Cash and investments	\$ 12,284,204
Statement of Fiduciary Net Position:	
Cash, investments, held by others	<u>640,452</u>
Total Cash and Investments	<u>\$ 12,924,656</u>

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE C - INTERFUND TRANSACTIONS

Interfund receivables and payables at June 30, 2017 were as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Payable</u>
General	\$ 10,025	\$ 10,159
Nonmajor	10,159	10,025
	<u>\$ 20,184</u>	<u>\$ 20,184</u>

These balances resulted from the time lag between the dates that (1) transactions are recorded in the accounting system and (2) payments between funds are made to cover negative cash balances.

Interfund transfers made during the year ended June 30, 2017 were as follows:

<u>Fund</u>	<u>Transfer in</u>	<u>Transfer out</u>
General	\$ -	\$ 1,175,134
Internal service	500,000	-
Nonmajor	675,134	-
	<u>\$ 1,175,134</u>	<u>\$ 1,175,134</u>

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

NOTE D - CAPITAL ASSETS

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

	<u>Balance</u> <u>July 1, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2017</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 1,055,588	\$ -	\$ -	\$ 1,055,588
Construction in progress	-	24,476	-	24,476
Total	1,055,588	24,476	-	1,080,064
Capital assets, being depreciated:				
Buildings	76,691,750	-	-	76,691,750
Equipment	3,780,487	373,290	242,687	3,911,090
Food service equipment	334,224	34,788	-	369,012
Total	80,806,461	408,078	242,687	80,971,852

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE D - CAPITAL ASSETS - CONTINUED

Less accumulated depreciation:				
Buildings	27,521,031	1,561,352	-	29,082,383
Equipment	2,461,398	264,207	242,687	2,482,918
Food service equipment	<u>261,466</u>	<u>14,914</u>	<u>-</u>	<u>276,380</u>
Total	<u>30,243,895</u>	<u>1,840,473</u>	<u>242,687</u>	<u>31,841,681</u>
Total capital assets being depreciated, net	<u>50,562,566</u>	<u>(1,432,395)</u>	<u>-</u>	<u>49,130,171</u>
Governmental activities capital assets, net	<u>\$ 51,618,154</u>	<u>\$ (1,407,919)</u>	<u>\$ -</u>	<u>\$ 50,210,235</u>

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

Instruction	\$ 1,595,398
General administration	82,863
Transportation	126,706
Food service	14,914
Operations and maintenance	<u>20,592</u>
Total governmental activities	<u>\$ 1,840,473</u>

NOTE E - LONG-TERM OBLIGATIONS

General Obligation Facilities and Improvement Bonds. General Obligation Bonds, series 2007, denominations of \$5,000, dated January 16, 2007, total issue \$19,730,000. The bonds were issued for the purpose of rebuilding, remodeling, improving, repairing, equipping and furnishing the District's schools, and to pay the cost of issuance of the bonds. Interest, at a rate of 4.00% to 5.00% is payable at each June 1 and December 1. Principal is due beginning December 1, 2007, and each year thereafter to December 1, 2023. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest. Bonds maturing December 1, 2021 through December 1, 2023 were refunded in fiscal 2013. Bonds maturing December 1, 2018 through December 1, 2020 were refunded in fiscal 2014.

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

Fiscal Year Ending			
<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 8,700	\$ 435,000	\$ 443,700
Total	<u>\$ 8,700</u>	<u>\$ 435,000</u>	<u>\$ 443,700</u>

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

General Obligation Refunding Bonds. General Obligation Refunding Bonds, series 2013, denominations of \$5,000, dated February 27, 2013, total issue \$8,875,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 2.00% to 3.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2013, and each year thereafter to December 1, 2023. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

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

Fiscal Year Ending				
<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	
2018	\$ 251,750	\$ 75,000	\$ 326,750	
2019	250,250	75,000	325,250	
2020	248,700	80,000	328,700	
2021	247,100	80,000	327,100	
2022	204,000	2,820,000	3,024,000	
2023-24	<u>155,400</u>	<u>5,390,000</u>	<u>5,545,400</u>	
Total	<u>\$ 1,357,200</u>	<u>\$ 8,520,000</u>	<u>\$ 9,877,200</u>	

General Obligation Refunding Bonds. General Obligation Refunding Bonds, series 2014A, denominations of \$5,000, dated March 18, 2014, total issue \$7,530,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 1.00% to 4.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2020. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

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

Fiscal Year Ending				
<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>	
2018	\$ 296,425	\$ 5,000	\$ 301,425	
2019	249,000	2,370,000	2,619,000	
2020	152,200	2,470,000	2,622,200	
2021	<u>51,400</u>	<u>2,570,000</u>	<u>2,621,400</u>	
Total	<u>\$ 749,025</u>	<u>\$ 7,415,000</u>	<u>\$ 8,164,025</u>	

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

General Obligation Refunding Bonds. General Obligation Refunding Bonds, series 2014B, denominations of \$5,000, dated March 18, 2014, total issue \$5,545,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of .40% to 1.40%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2018. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

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

Fiscal Year Ending	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
<u>June 30,</u>			
2018	\$ 12,740	\$ 1,820,000	\$ 1,832,740
Total	<u>\$ 12,740</u>	<u>\$ 1,820,000</u>	<u>\$ 1,832,740</u>

General Obligation Refunding Bonds. General Obligation Refunding Bonds, series 2015, denominations of \$5,000, dated December 22, 2015, total issue \$9,110,000. The bonds were issued to refinance a portion of the District's general obligation debt for the purpose of reducing debt service requirements. Interest, at a rate of 3.00% to 4.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2023, and each year thereafter to December 1, 2026. The bonds are general obligations of the District and shall be payable from general ad valorem taxes required to be levied, without limitation as to rate and in amounts sufficient to pay the principal of and interest on the bonds, on all taxable property of the District, except to the extent other legally available funds are applied for such purpose. The bonds are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

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

Fiscal Year Ending	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
<u>June 30,</u>			
2018	\$ 361,250	\$ -	\$ 361,250
2019	361,250	-	361,250
2020	361,250	-	361,250
2021	361,250	-	361,250
2022	361,250	-	361,250
2023-27	<u>1,254,475</u>	<u>9,110,000</u>	<u>10,364,475</u>
Total	<u>\$ 3,060,725</u>	<u>\$ 9,110,000</u>	<u>\$ 12,170,725</u>

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

Certificates of Participation. Certificates of Participation, series 2014, denominations of \$5,000, dated January 8, 2014, total issue \$2,940,000. The certificates were issued to improve District facilities, decrease deferred maintenance on buildings, and reduce District utility costs. Interest, at a rate of 2.00% to 4.00%, is payable at each June 1 and December 1. Principal is due beginning December 1, 2014, and each year thereafter to December 1, 2033. The Certificates do not constitute a general obligation or other indebtedness of the District and the obligation will terminate if the District does not appropriate funds to make the payments in any fiscal year. Repayment of the Certificates is secured only by title to the District's central administration building, held by the Trustee. The Certificates are subject to redemption prior to maturity, at the option of the District at a redemption price equal to the par amount thereof, plus accrued interest.

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

Fiscal Year Ending	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
June 30,			
2018	\$ 83,631	\$ 120,000	\$ 203,631
2019	81,181	125,000	206,181
2020	78,369	125,000	203,369
2021	75,181	130,000	205,181
2022	71,931	130,000	201,931
2023-27	297,622	720,000	1,017,622
2028-32	161,831	845,000	1,006,831
2033-34	15,500	385,000	400,500
Total	<u>\$ 865,246</u>	<u>\$ 2,580,000</u>	<u>\$ 3,445,246</u>

Defeased debt. The defeased bonds outstanding for all issues at June 30, 2017, considered extinguished, is \$0.

Changes in Long-Term Debt. During the period ended June 30, 2017, the following changes occurred in long-term debt:

	<u>Balance</u>		<u>Balance</u>	<u>Due within</u>
	<u>6/30/16</u>	<u>Additions</u>	<u>6/30/17</u>	<u>one year</u>
General obligation bonds 2007	\$ 855,000	\$ -	\$ 435,000	\$ 435,000
General obligation bonds 2013	8,595,000	-	8,520,000	75,000
General obligation bonds 2014A	7,420,000	-	7,415,000	5,000
General obligation bonds 2014B	3,625,000	-	1,820,000	1,820,000
General obligation bonds 2015	9,110,000	-	9,110,000	-
Bond premiums	2,485,088	-	2,083,963	380,476
COPs	2,700,000	-	2,580,000	120,000
Early retirement	210,771	60,000	235,938	235,938
Compensated absences	497,027	146,748	643,775	643,775
	<u>\$ 35,497,886</u>	<u>\$ 206,748</u>	<u>\$ 32,843,676</u>	<u>\$ 3,715,189</u>

Liabilities for compensated absences and early retirement are liquidated by the General Fund.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE F - TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted in the General Fund at June 30, 2017 for *TABOR* equaled \$897,360. The District restricts a portion of its fund balance in further compliance with *TABOR*. For financial reporting purposes, the District reserves the statutory 3% of the Charter School's fund balance for the School.

On November 5, 1998, voters passed a referendum allowing the District to keep and spend any excess revenues from grants, fees, leases, interest, sales and use taxes, and other non-property tax revenues received during the year ended June 30, 1999, and each subsequent year thereafter.

NOTE G - CONTINGENCIES

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

NOTE H - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

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

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

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

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

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

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

	For the Calendar Year Ended December 31, 2016	For the Calendar Year Ended December 31, 2017
Employer Contribution Rate ¹	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) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF¹	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$2,783,115 for the year ended June 30, 2017.

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 \$102,134,589 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's proportion of the net pension liability was based on the District's 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's proportion was .343034%, which was a decrease of .001864 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$19,752,489. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,276,839	\$ 899
Changes of assumptions or other inputs	33,140,544	460,575
Net difference between projected and actual earnings on pension plan investments	3,415,168	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	626,905	207,471
Contributions subsequent to the measurement date	1,408,155	-
Total	\$ 39,867,611	\$ 668,945

\$1,408,155 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2017:	
2018	15,242,125
2019	15,133,671
2020	7,380,652
2021	34,063
2022	-
Thereafter	-

Actuarial Assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, 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
Discount rate	7.50 percent
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

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 were 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	2.40 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
Discount rate	5.26 percent
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.

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.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 rate of return on pension 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.

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.

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN – CONTINUED

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:

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

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

Discount Rate. The discount rate used to measure the total pension liability was 5.26%. 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.

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26% as of the measurement date, 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%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	\$128,430,964	\$102,134,589	\$80,717,144

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.

NOTE I - POSTEMPLOYMENT HEALTH CARE BENEFITS

Plan Description. The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the 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.

Funding Policy. The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution 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, 2015, 2016, and 2017, the District's employer contributions to HCTF were \$147,290, \$157,904, and \$154,453, equal to their required contributions for each year.

NOTE J - DEFINED CONTRIBUTION PENSION PLAN

Plan Description. Employees of the District who are members of SDTF may voluntarily contribute to the Voluntary Investment Program (401(k) Plan), an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Plan participation is voluntary, and contributions are separate from others made to PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the 401(k) Plan provisions to the State Legislature. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Steamboat Springs School District RE-2
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE J - DEFINED CONTRIBUTION PENSION PLAN - CONTINUED

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS. The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the years ended June 30, 2015, 2016, and 2017.

NOTE K - RISK MANAGEMENT

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

NOTE L - SELF INSURANCE PROGRAM

The District is self insured with respect to health insurance claims. However, an excess liability policy in the amount of \$100,000 has been purchased. The claims liability is based on the requirement of GASB Statement Nos. 10 and 30, which require that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount can be reasonably estimated. Claim liabilities, including incurred but not reported (IBNR) claims, are based on the estimated ultimate cost of settling the claims (including the effects of inflation and other societal and economic factors), using past experience adjusted for current trends, and any other factors that would modify past experience. Claim liabilities also include specific, incremental claim adjustment expenses. In addition, estimated amounts of salvage and subrogation and reinsurance recoverable on unpaid claims are deducted from the liability for unpaid claims. Expenses and liabilities are estimated through a case-by-case review of all claims and the application of historical experience for outstanding claims.

Changes in the Fund's premiums, stop loss, and claims in fiscal year 2017 were:

<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
\$ 171,247	\$3,789,593	\$3,696,222	\$ 264,618

Steamboat Springs School District RE-2
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE M – PRIOR PERIOD ADJUSTMENT

The District previously accrued salaries for the Food Service fund, but the related benefits were not accrued, as they were not considered material by management. In fiscal year 2017, District management determined that the associated benefits are now material and require accrual in the proper period. The result of the accrual of benefits to prior periods was a reduction in beginning Food Service fund balance and governmental activities net position of (\$17,235), leaving a restated beginning fund balance in the Food Service fund of \$87,763 and a restated beginning net position in governmental activities of (\$15,626,446).

Steamboat Springs School District RE-2

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

<u>Measurement date:</u>	<u>Employer proportion of NPL</u>	<u>Employer proportionate share of NPL</u>	<u>Employer covered payroll</u>	<u>Employer proportionate share of NPL as a percentage of covered payroll</u>	<u>Pension plan's fiduciary net position as a percentage of total pension liability</u>
December 31, 2014	0.334632%	\$ 45,353,851	\$ 14,220,569	319%	63%
December 31, 2015	0.344898%	52,749,732	15,049,384	351%	59%
December 31, 2016	0.343034%	102,134,589	15,396,009	663%	43%

Steamboat Springs School District RE-2

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2017

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 2,429,217	\$ 2,429,217	\$ -	\$ 14,446,992	16.81%
June 30, 2016	2,745,374	2,745,374	-	15,481,127	17.73%
June 30, 2017	2,783,115	2,783,115	-	15,142,431	18.38%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

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

For the measurement period ended December 31, 2016, the discount rate changed from 7.5% to 5.26% based on the municipal bond index rate. This change significantly affected the total plan net pension liability and the employer share of the net pension liability. There were no other changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Steamboat Springs School District RE-2
BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2017

	Kindergarten Fund	Food Service Fund	Designated Grants Fund	Capital Projects Fund	Total Nonmajor Funds
ASSETS					
Cash and cash equivalents	\$ 10,828	\$ 187,840	\$ -	\$ 1,418,960	\$ 1,617,628
Property tax receivable	86,975	-	-	-	86,975
Due from other governments	-	2,756	-	-	2,756
Due from other funds	10,159	-	-	-	10,159
Inventory	-	706	-	-	706
Total assets	<u>\$ 107,962</u>	<u>\$ 191,302</u>	<u>\$ -</u>	<u>\$ 1,418,960</u>	<u>\$ 1,718,224</u>
LIABILITIES					
Accounts payable	\$ -	\$ 3	\$ -	\$ 11,804	\$ 11,807
Accrued compensation	86,849	60,556	-	-	147,405
Due to other funds	-	10,025	-	-	10,025
Unearned revenues	-	32,067	-	-	32,067
Total liabilities	<u>86,849</u>	<u>102,651</u>	<u>-</u>	<u>11,804</u>	<u>201,304</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property taxes	21,113	-	-	-	21,113
FUND BALANCES					
Nonspendable	-	706	-	-	706
Assigned					
Other capital projects	-	-	-	1,407,156	1,407,156
Food service	-	87,945	-	-	87,945
Total fund balances	<u>-</u>	<u>88,651</u>	<u>-</u>	<u>1,407,156</u>	<u>1,495,807</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 107,962</u>	<u>\$ 191,302</u>	<u>\$ -</u>	<u>\$ 1,418,960</u>	<u>\$ 1,718,224</u>

Steamboat Springs School District RE-2
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Kindergarten Fund	Food Service Fund	Designated Grants Fund	Capital Projects Fund	Total Nonmajor Funds
REVENUES					
Federal sources	\$ -	\$ 233,089	\$ -	\$ -	\$ 233,089
State sources	-	7,193	-	-	7,193
Local and intermediate sources	485,658	468,001	7,834	-	961,493
Interest	216	-	-	11,305	11,521
Total revenues	485,874	708,283	7,834	11,305	1,213,296
EXPENDITURES					
Current					
Instructional	646,033	-	7,834	-	653,867
Supporting services					
Pupil support services	-	-	-	-	-
Instructional staff	-	-	-	-	-
Food services	-	722,370	-	-	722,370
Capital outlay	-	-	-	406,151	406,151
Total expenditures	646,033	722,370	7,834	406,151	1,782,388
 Excess of revenues over (under) expenditures	 (160,159)	 (14,087)	 -	 (394,846)	 (569,092)
OTHER FINANCING SOURCES					
Transfers in	160,159	14,975	-	500,000	675,134
Total other financing sources	160,159	14,975	-	500,000	675,134
 Net change in fund balances	 -	 888	 -	 105,154	 106,042
 Fund balance, beginning of year	 -	 104,998	 -	 1,302,002	 1,407,000
Prior period adjustment	-	(17,235)	-	-	(17,235)
Restated beginning fund balance	-	87,763	-	1,302,002	1,389,765
Fund balance, end of year	\$ -	\$ 88,651	\$ -	\$ 1,407,156	\$ 1,495,807

Steamboat Springs School District RE-2
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - KINDERGARTEN FUND
 For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local	\$ -	\$ 506,829	\$ 485,874	\$ (20,955)
Total revenues	-	506,829	485,874	(20,955)
EXPENDITURES				
Current				
Instructional	-	661,829	646,033	15,796
Total expenditures	-	661,829	646,033	15,796
Excess of revenues over (under) expenditures	-	(155,000)	(160,159)	5,159
OTHER FINANCING SOURCES (USES)				
Transfers in	-	155,000	160,159	5,159
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	\$ -	\$ -	\$ -	\$ -

Steamboat Springs School District RE-2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - FOOD SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 218,500	\$ 218,500	\$ 233,089	\$ 14,589
State sources	5,650	5,650	7,193	1,543
Local and intermediate sources	456,000	456,000	468,001	12,001
Total revenues	<u>680,150</u>	<u>680,150</u>	<u>708,283</u>	<u>28,133</u>
EXPENDITURES				
Current				
Supporting services				
Food service	798,776	835,148	722,370	112,778
Total expenditures	<u>798,776</u>	<u>835,148</u>	<u>722,370</u>	<u>112,778</u>
Excess of revenues over (under) expenditures	(118,626)	(154,998)	(14,087)	140,911
OTHER FINANCING SOURCES (USES)				
Transfers in	50,000	50,000	14,975	(35,025)
Net change in fund balances	(68,626)	(104,998)	888	105,886
Fund balance, beginning of year, restated	68,626	104,998	87,763	(17,235)
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,651</u>	<u>\$ 88,651</u>

Steamboat Springs School District RE-2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DESIGNATED GRANTS FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
REVENUES				
Local	\$ 380,000	\$ 50,000	\$ 7,834	\$ (42,166)
Total revenues	<u>380,000</u>	<u>50,000</u>	<u>7,834</u>	<u>(42,166)</u>
EXPENDITURES				
Current				
Instructional	5,771	7,834	7,834	-
Instructional staff	374,229	42,166	-	42,166
Total expenditures	<u>380,000</u>	<u>50,000</u>	<u>7,834</u>	<u>42,166</u>
Net change in fund balances	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Steamboat Springs School District RE-2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget
				Positive (Negative)
REVENUES				
Earnings on investments	\$ 5,000	\$ 10,000	\$ 11,305	\$ 1,305
Total revenues	<u>5,000</u>	<u>10,000</u>	<u>11,305</u>	<u>1,305</u>
EXPENDITURES				
Capital outlay	1,561,528	1,812,002	406,151	1,405,851
Total expenditures	<u>1,561,528</u>	<u>1,812,002</u>	<u>406,151</u>	<u>1,405,851</u>
Excess of revenues over (under) expenditures	(1,556,528)	(1,802,002)	(394,846)	1,407,156
OTHER FINANCING SOURCES (USES)				
Transfers in	255,000	500,000	500,000	-
Total other financing sources (uses)	<u>255,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in fund balances	(1,301,528)	(1,302,002)	105,154	1,407,156
Fund balance, beginning of year	1,301,528	1,302,002	1,302,002	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,407,156</u>	<u>\$ 1,407,156</u>

Steamboat Springs School District RE-2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - DEBT SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 3,300,000	\$ 3,293,151	\$ 3,233,115	\$ (60,036)
Interest	4,500	10,000	10,834	834
Total revenues	<u>3,304,500</u>	<u>3,303,151</u>	<u>3,243,949</u>	<u>(59,202)</u>
EXPENDITURES				
Debt service				
Principal	2,305,000	2,335,000	2,305,000	30,000
Interest	970,829	953,080	970,829	(17,749)
Other	17,000	15,071	2,250	12,821
Contingency	<u>3,799,090</u>	<u>3,834,883</u>	<u>-</u>	<u>3,834,883</u>
Total expenditures	<u>7,091,919</u>	<u>7,138,034</u>	<u>3,278,079</u>	<u>3,859,955</u>
Net change in fund balances	(3,787,419)	(3,834,883)	(34,130)	3,800,753
Fund balance, beginning of year	<u>3,787,419</u>	<u>3,834,883</u>	<u>3,834,883</u>	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,800,753</u>	<u>\$ 3,800,753</u>

Steamboat Springs School District RE-2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION
BUDGET AND ACTUAL - INSURANCE INTERNAL SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Fees	\$ 2,950,000	\$ 3,055,000	\$ 3,077,855	\$ 22,855
Stop loss revenue	50,000	529,289	1,221,635	692,346
Total operating revenues	<u>3,000,000</u>	<u>3,584,289</u>	<u>4,299,490</u>	<u>715,201</u>
EXPENDITURES				
Insurance Claims	1,850,000	2,800,000	3,789,593	(989,593)
Administration fees	1,010,000	1,010,000	1,013,212	(3,212)
Contingency	190,000	-	-	-
Total operating expenditures	<u>3,050,000</u>	<u>3,810,000</u>	<u>4,802,805</u>	<u>(992,805)</u>
Excess of revenues over (under) expenditures	(50,000)	(225,711)	(503,315)	(277,604)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	100,000	500,000	400,000
Change in net position	(50,000)	(125,711)	(3,315)	122,396
Net position, beginning of year	50,000	125,711	125,711	-
Net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 122,396</u>	<u>\$ 122,396</u>

Steamboat Springs School District RE-2
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUND
For the Year Ended June 30, 2017

		<u>Actual</u>
Additions		
Fund raising events		\$ 935,142
	Total additions	<u>935,142</u>
 Deductions		
Athletic/Activity expenditures		1,093,238
	Total deductions	<u>1,093,238</u>
 Change in activity funds		 (158,096)
 Total due to student groups, beginning of year		 <u>798,548</u>
Total due to student groups, end of year		<u>\$ 640,452</u>
 Total appropriation		 \$ 2,280,503
Total expenditures		1,093,238
Variance positive (negative)		<u>\$ 1,187,265</u>



Colorado Department of Education
Auditors Integrity Report
 District 2770 - STEAMBOAT SPRINGS RE-2
 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	7,041,734	24,372,061	24,744,054	6,669,742
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Purchased Program Fund	0	0	0	0
Sub-Total	7,041,734	24,372,061	24,744,054	6,669,742
11 Charter School Fund	107,339	1,116,450	1,103,544	120,125
20,26-29 State & Revenue Fund	0	0	0	0
04 Supplements Cas Const, Tech Maint Fund	0	0	0	0
21 Food Service State Revenue Fund	87,763	721,253	722,870	88,451
22 Govt Designated Purpose Grants Fund	0	7,824	7,814	0
23 Post Activity State & Revenue Fund	0	0	0	0
24 Full Day Kindergarten M - Levy Certificate	0	646,531	646,511	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,814,483	1,241,849	1,279,071	3,700,751
39 Cert Acct of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,302,002	511,305	406,151	1,407,156
46 Supplements Cas Const, Tech Maint Fund	0	0	0	0
Totals	12,177,772	30,650,890	30,912,184	12,696,477
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Bus-Related Activity Fund	125,711	1,743,425	1,746,780	122,396
60-63-49 Other Enterprise Service Funds	0	0	0	0
Totals	125,711	1,743,425	1,746,780	122,396
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Post Activity Agency Fund	798,545	935,143	1,011,218	649,452
79 GASB 34 Payment Fund	0	0	0	0
85 Foundation	0	0	0	0
Totals	798,545	935,143	1,011,218	649,452

FINAL

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