



South Routt School District RE-3

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2017



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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

November 27, 2017

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Routt School District RE-3 (the District) as of and for the year ended June 30, 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, each major fund, and the aggregate remaining fund information of South Routt School District RE-3, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Routt School District RE-3's basic financial statements. The combining statement and schedule for the non-major governmental funds, the budgetary comparison schedules, and the Auditor's Integrity Report of the Colorado Department of Education (the Report) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**South Routt School District RE-3
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2017**

As management of the South Routt School District RE-3, Routt County, Colorado (the District), we offer readers of the District's Annual Financial Report this narrative and analysis of the financial activities of the primary government for the fiscal year ended June 30, 2017.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$1,808,859 (*net position* for the primary reporting entity). Of this amount, (\$10,137,905) (*unrestricted net position*) may be used to meet the District's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,025,070, an increase of \$1,359,113 in comparison with the prior year. Of this amount, \$924,134 is *available for spending* at the District's discretion (*unassigned fund balance*).
- The main reason for the increase in ending fund balances from the prior year is the unpaid property taxes by Peabody Energy were collected during the fiscal year. These property taxes were collected in full on November 10, 2016.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$924,134 or 17.37% of total general fund expenditures.
- The District's long-term obligations decreased by \$730,000 as a result of current year payments on bonded debt.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the District's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 11-41 are comprised of three components: 1) District-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

District-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

The fiduciary fund financial statements are presented on page 18.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 19-41 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains certain *supplementary information* concerning the budget to actual comparison for all of the District's funds as well as information related to the net pension liability. Fund statements can be found on pages 42-47 of this report. The net pension liability schedules can be found on pages 48-49 of this report.

District-wide Financial Analysis

District-wide Net Position

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

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenue, interest payable, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during the fiscal year ending June 30, 2018. Long-term liabilities such as long-term debt obligations and compensated absences will be liquidated from resources that will become available after the end of the fiscal year 2018.

The liabilities and deferred inflows of resources of the District activities exceed assets and deferred outflow of resources by \$1,808,859 with an unrestricted net position balance of \$(10,137,905). Total net position of the District does not include internal balances.

A net investment of \$6,608,802 in land, buildings, equipment, and vehicles to provide the services to the District's 323 public school students. Net position of \$1,463,737 accumulated due to voter approved bonded debt mill levy assessments have been restricted to provide resources to liquidate the current general obligation bond principal and related interest payments. The legally required TABOR and multiple year commitment reserves are restricted.

Business-type activities did not occur in Fiscal Year 2016 or 2017, as the Food Service Fund was reclassified as a governmental fund per the Colorado Department of Education.

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

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

	Governmental Activities		
	6/30/2017	6/30/2016	6/30/2015
Assets:			
Current Assets	3,726,977	3,414,146	3,136,892
Other Assets	-	-	-
Capital Assets net of depreciation	10,062,769	10,726,597	11,409,862
Total assets	13,789,746	14,140,743	14,546,754
Deferred Inflows	6,912,439	1,285,425	645,845
Liabilities:			
Current liabilities	1,359,762	555,813	618,336
Noncurrent liabilities	20,593,472	13,694,501	13,895,824
Total liabilities	21,953,234	14,250,314	14,514,160
Deferred outflows	577,810	737,772	342,039
Net position:			
Net investment in capital assets	6,608,802	6,546,260	6,518,154
Restricted	1,720,244	1,391,304	1,620,554
Unrestricted	(10,137,905)	(7,499,482)	(7,802,308)
Total net position	(1,808,859)	438,082	336,400

District-wide Activities

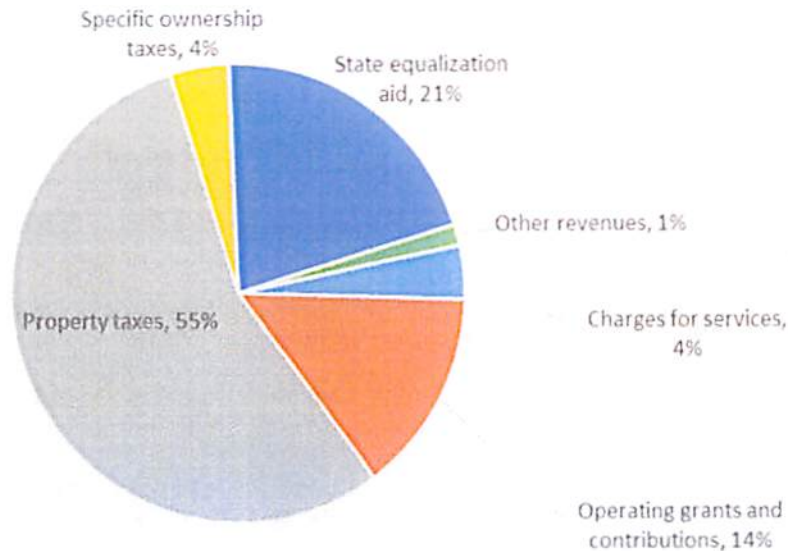
- District-wide activities decreased the net position of the District by \$2,246,941 during the year ended June 30, 2017. The cause of this decrease relates to change in accounting estimate in reporting the net pension liability from PERA and to depreciation on capital assets.

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

**South Rount 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	\$ 253,638	\$ 218,516	\$ 163,410
Operating grants and contributions	940,978	775,436	813,337
General Revenues:			
Property taxes	3,668,788	3,886,875	3,871,466
Specific ownership taxes	280,197	270,860	275,390
Investment earnings	21,427	-	2,934
State equalization aid	1,376,129	1,290,128	1,122,775
Other revenues	74,184	68,460	38,116
Total Revenues	6,615,341	6,510,275	6,287,428
Expenses			
Governmental activities			
Instruction	5,283,372	3,870,274	3,763,917
Pupil support services	290,502	195,564	190,028
Instructional staff	252,889	114,250	244,610
General administration	660,277	412,039	403,117
School administration	486,589	247,283	203,629
Business services	584	250	-
Plant maintenance and operations	944,359	778,468	584,595
Transportation	365,485	276,764	274,480
Central support	212,741	223,229	190,983
Interest expenses	108,928	94,763	161,151
Food services	258,306	195,709	190,291
Total expenses	8,864,032	6,408,593	6,206,801
Excess before transfers and other	(2,248,691)	101,682	80,627
Transfers	-	-	-
Proceeds of note receivable	-	-	-
Gain (loss) on sale of capital assets	1,750	-	-
Change in net position	(2,246,941)	101,682	80,627
Beginning net position	438,082	336,400	8,681,254
Change in accounting principles	-	-	(8,425,481)
Net Position - beginning reinstated	438,082	336,400	255,773
Ending net position	\$(1,808,859)	\$ 438,082	\$ 336,400

Revenues by Source - Governmental Activities



Financial Analysis of the District's Governmental Funds

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

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

The general fund is the chief operating fund of the District. Student enrollment decreased by 3 students during the fiscal year, due to 5 year averaging the Funded Pupil Count (FPC) was down 14.3 FTE. The Per Pupil Funding (PPF) decreased from \$10,605 to \$9,887. Total Program decreased by \$51,335 from the state's School Finance Act funding.

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 accumulating resources to fund future capital improvements and acquisitions. Fund balance in this fund increased by \$107,466 during the current year.

General Fund Budgetary Highlights

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

- Property tax revenues increased approximately \$738,000 to account for a late payment from Peabody Coal,
- State equalization increased by almost \$65,000 due to recalculation of the finance formula,
- Transportation decreased due to the school week going from a 5-day week to a 4-day week, and
- Expenses were adjusted based on actual hires and expenses the first half of the year.

Capital Assets and Debt Administration

The District's investment in capital assets for its governmental activities as of June 30, 2017 decreased to \$10,062,769 (net of accumulated depreciation). Capital assets include land, buildings, construction in progress, vehicles, and equipment.

**South Routt School District RE-3
Capital Assets (net of accumulated depreciation)
June 30, 2017**

	Governmental Activities
Land	\$ 1,752,794
Buildings	8,173,955
Equipment	<u>136,020</u>
	<u>\$ 10,062,769</u>

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

At June 30, 2017, the District had total bonded debt outstanding of \$3,470,000 backed by the full faith and credit of the District.

**South Routt School District RE-3
Outstanding Debt
June 30, 2017**

	Governmental Activities
2014 G.O. Bonds	<u>\$ 3,470,000</u>

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

The District maintains an "AAA" rating from Moody's for all general obligation debt.

State statutes limit the amount of general obligation debt to \$18,580,620, which is significantly in excess of the District's outstanding general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

Budget

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

School Report Cards

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

Requests for Information

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

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

South Routt School District RE-3
STATEMENT OF NET POSITION
June 30, 2017

		Governmental Activities
ASSETS		
Cash and investments	\$	2,961,742
Property taxes receivable (net)		659,420
Due from other governments		43,136
Other receivables		56,038
Inventories and prepaid expenses		6,641
Capital assets, net of accumulated depreciation		10,062,769
	Total assets	13,789,746
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunded debt		96,247
Deferred outflows related to pension		6,816,192
	Total deferred outflows of resources	6,912,439
LIABILITIES		
Accounts payable and other accrued liabilities		193,370
Accrued compensation		388,027
Accrued interest		5,977
Unearned revenues		14,226
Noncurrent Liabilities		
Due within one year		
Bonds		758,162
Due in more than one year		
Bonds		2,792,052
Compensated absences		72,127
Net pension liability		17,729,293
	Total liabilities	21,953,234
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		557,810
	Total deferred inflows of resources	557,810
NET POSITION		
Net investment in capital assets		6,608,802
Restricted for:		
Debt service		1,463,737
TABOR		226,007
Multiple year commitments		30,500
Unrestricted		(10,137,905)
	Total net position	\$ (1,808,859)

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

South Routt School District RE-3
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2017

	Expenses	Program Revenues		Net (Expense)	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities	
Functions/Programs					
Governmental activities:					
Instruction	\$ 5,283,372	\$ 184,702	\$ 558,058	-	\$ (4,540,612)
Pupil support services	290,502	-	86,576	-	(203,926)
Instructional staff	252,889	-	133,352	-	(119,537)
General administration	660,277	-	-	-	(660,277)
School administration	486,589	-	-	-	(486,589)
Business services	584	-	-	-	(584)
Maintenance and operations	944,359	100	53,158	-	(891,101)
Transportation	365,485	-	39,648	-	(325,837)
Central support	212,741	-	-	-	(212,741)
Food service	258,306	68,836	70,186	-	(119,284)
Interest on long-term debt	108,928	-	-	-	(108,928)
Total	\$ 8,864,032	\$ 253,638	\$ 940,978	\$ -	(7,669,416)
General revenues:					
Property Taxes:					
Property taxes, levied for general purposes					2,836,162
Property taxes, levied for debt service					832,626
Specific ownership taxes					280,197
State equalization					1,376,129
Other state aid, mineral lease					5,625
Investment earnings					21,427
Gain on sale of asset					1,750
Miscellaneous					68,559
					<u>5,422,475</u>
					Total general revenues
Change in net position					(2,246,941)
Net position - beginning					438,082
Net position - ending					<u>\$ (1,808,859)</u>

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

South Rount School District RE-3
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,214,483	\$ -	\$ 379,357	\$ 25,430	\$ 1,619,270
Investments	-	1,342,472	-	-	1,342,472
Property taxes receivable	514,858	144,562	-	-	659,420
Due from other governments	43,136	-	-	-	43,136
Due from other funds	10,311	-	-	-	10,311
Inventory	-	-	-	6,641	6,641
Other receivables	56,038	-	-	-	56,038
Total assets	<u>\$ 1,838,826</u>	<u>\$ 1,487,034</u>	<u>\$ 379,357</u>	<u>\$ 32,071</u>	<u>\$ 3,737,288</u>
LIABILITIES					
Current Liabilities					
Accounts payable and accrued liabilities	\$ 193,370	\$ -	\$ -	\$ -	\$ 193,370
Accrued compensation	370,546	-	-	17,481	388,027
Due to other funds	-	-	10,050	261	10,311
Unearned revenues	11,282	-	-	2,944	14,226
Total liabilities	<u>575,198</u>	<u>-</u>	<u>10,050</u>	<u>20,686</u>	<u>605,934</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable property taxes	82,987	23,297	-	-	106,284
FUND BALANCES					
Nonspendable	-	-	-	6,641	6,641
Restricted					
Emergencies	226,007	-	-	-	226,007
Debt service	-	1,463,737	-	-	1,463,737
Multiple year commitments	30,500	-	-	-	30,500
Assigned to					
Other capital projects	-	-	369,307	-	369,307
Food service	-	-	-	4,744	4,744
Unassigned	924,134	-	-	-	924,134
Total fund balances	<u>1,180,641</u>	<u>1,463,737</u>	<u>369,307</u>	<u>11,385</u>	<u>3,025,070</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,838,826</u>	<u>\$ 1,487,034</u>	<u>\$ 379,357</u>	<u>\$ 32,071</u>	<u>\$ 3,737,288</u>

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

South Routt School District RE-3
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
June 30, 2017

Total fund balances, governmental funds		\$ 3,025,070
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$24,491,111 and the accumulated depreciation is \$14,428,342.		10,062,769
Deferred charge on refunded debt is not a financial resource and therefore is not reported as an asset in the governmental funds		96,247
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.		106,284
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
	Bonds payable	(3,470,000)
	Bonds interest payable	(5,977)
	Compensated absences	(72,127)
	Premium on bonds	(80,214)
	Net pension obligation	(17,729,293)
	Deferred inflows related to pension	(557,810)
	Deferred outflows related to pension	6,816,192
		<u>(15,099,229)</u>
Total net position, governmental activities		<u>\$ (1,808,859)</u>

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

South Routt School District RE-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	General Fund	Debt Service Fund	Capital Reserve Fund	Non-major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 3,712,103	\$ 1,049,823	\$ -	\$ -	\$ 4,761,926
Specific ownership taxes	280,197	-	-	-	280,197
Federal sources	172,796	-	-	62,175	234,971
State sources					
Equalization	1,376,129	-	-	-	1,376,129
Transportation	39,648	-	-	-	39,648
Other State	498,662	-	-	2,261	500,923
County sources, mineral leases	5,625	-	-	-	5,625
Local and intermediate sources	413,043	-	-	74,590	487,633
Interest	10,692	8,969	1,766	-	21,427
Total revenues	<u>6,508,895</u>	<u>1,058,792</u>	<u>1,766</u>	<u>139,026</u>	<u>7,708,479</u>
EXPENDITURES					
Current					
Instruction services	2,928,417	-	-	-	2,928,417
Supporting services					
Pupil support services	230,568	-	-	-	230,568
Instructional staff	189,297	-	-	-	189,297
General administration	426,512	-	-	-	426,512
School administration	285,349	-	-	-	285,349
Business services	584	-	-	-	584
Operations and maintenance	601,548	-	-	-	601,548
Transportation	239,898	-	-	-	239,898
Central support	209,822	-	-	-	209,822
Food services	-	-	-	186,631	186,631
Capital outlay	178,789	-	36,050	1,284	216,123
Debt service					
Principal	-	730,000	-	-	730,000
Interest	28,230	78,137	-	-	106,367
Total expenditures	<u>5,319,014</u>	<u>808,137</u>	<u>36,050</u>	<u>187,915</u>	<u>6,351,116</u>
Excess of revenues over (under) expenditures	1,189,881	250,655	(34,284)	(48,889)	1,357,363
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of assets	-	-	1,750	-	1,750
Transfers in	-	-	140,000	50,000	190,000
Transfers out	(190,000)	-	-	-	(190,000)
Total other financing sources and uses	<u>(190,000)</u>	<u>-</u>	<u>141,750</u>	<u>50,000</u>	<u>1,750</u>
Net change in fund balances	999,881	250,655	107,466	1,111	1,359,113
Fund balance, beginning of year	180,760	1,213,082	261,841	10,274	1,665,957
Fund balance, end of year	<u>\$ 1,180,641</u>	<u>\$ 1,463,737</u>	<u>\$ 369,307</u>	<u>\$ 11,385</u>	<u>\$ 3,025,070</u>

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

South Rount School District RE-3
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES**
For the Year Ended June 30, 2017

Total net change in fund balances, governmental funds \$ 1,359,113

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

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

Depreciation expense	(719,174)	
Capital outlays	<u>55,346</u>	(663,828)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 730,000

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered "available" revenues in the governmental funds. Unavailable tax revenues decreased by this amount. (1,093,138)

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

Compensated absences	(8,063)	
Pension expense	<u>(2,568,464)</u>	(2,576,527)

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

Amortization of loss on refunding	(21,792)	
Bond premium accretion	<u>18,162</u>	(3,630)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 1,069

Change in net position, governmental activities \$ (2,246,941)

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

South Rount School District RE-3
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
GENERAL FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 2,972,172	\$ 3,710,646	\$ 3,712,103	\$ 1,457
Specific ownership taxes	280,000	280,000	280,197	197
Federal sources	183,667	173,675	172,796	(879)
State sources				
Equalization	1,310,000	1,374,871	1,376,129	1,258
Transportation	50,000	40,000	39,648	(352)
Other State	426,161	429,000	498,662	69,662
County sources, mineral leases	-	5,625	5,625	-
Local and intermediate sources	406,000	386,000	413,043	27,043
Interest	2,000	7,500	10,692	3,192
Total revenues	<u>5,630,000</u>	<u>6,407,317</u>	<u>6,508,895</u>	<u>101,578</u>
EXPENDITURES				
Current				
Instruction services	3,047,795	2,981,434	2,960,480	20,954
Supporting services				
Pupil support services	198,900	222,826	230,568	(7,742)
Instructional staff	269,849	273,996	189,297	84,699
General administration	409,313	423,105	428,012	(4,907)
School administration	300,744	294,692	285,852	8,840
Business services	-	-	584	(584)
Operations and maintenance	636,592	668,558	631,783	36,775
Transportation	250,807	236,355	239,898	(3,543)
Central support	316,000	290,454	324,310	(33,856)
Contingency	906,624	996,657	-	996,657
Debt Service				
Interest	-	-	28,230	(28,230)
Total expenditures	<u>6,336,624</u>	<u>6,388,077</u>	<u>5,319,014</u>	<u>1,069,063</u>
Excess of revenues over (under) expenditures	(706,624)	19,240	1,189,881	1,170,641
OTHER FINANCING SOURCES (USES)				
Transfers out	(200,000)	(200,000)	(190,000)	10,000
Total other financing sources and uses	<u>(200,000)</u>	<u>(200,000)</u>	<u>(190,000)</u>	<u>10,000</u>
Net change in fund balances	(906,624)	(180,760)	999,881	1,180,641
Fund balance, beginning of year	906,624	180,760	180,760	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,180,641</u>	<u>\$ 1,180,641</u>

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

South Routt School District RE-3
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017

	Student Activity Agency Funds	Endowment Promotion Fund	Total
ASSETS			
Cash and cash equivalents	\$ 51,457	\$ 4,165	\$ 55,622
Total assets	<u>\$ 51,457</u>	<u>\$ 4,165</u>	<u>\$ 55,622</u>
LIABILITIES			
Due to student groups	\$ 51,457	\$ 4,165	\$ 55,622
Total liabilities	<u>\$ 51,457</u>	<u>\$ 4,165</u>	<u>\$ 55,622</u>

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

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

2. Government-wide and fund financial statements

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

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

The District reports the following major governmental funds:

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

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

The *capital reserve fund* accounts for and reports the financial resources that are restricted, committed, or assigned to expenditure for major capital outlays.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Additionally, the District reports the following fund type:

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

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

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

Deposits and Investments

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

Receivables and Payables

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

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

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

Inventories

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets

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

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

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

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

Compensated Absences

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

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

Accrued Salaries

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-Term Obligations

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

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

Deferred Outflows/Inflows of Resources

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

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

Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

South Rount School District's Comprehensive Fund Balance Policy:

Order of Fund Balance Spending Policy

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

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

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

Nonspendable:

The Food Service fund has nonspendable funds related to inventory of \$6,641.

Assigned:

The Capital Projects fund assigns \$369,307 for future capital projects.

The Food Service fund assigns \$4,744 for food service operations.

Restricted:

Emergency Reserves: Tax, Spending and Debt Limitations amendment requires local governments to establish Emergency Reserves. The District has restricted \$226,007 of fund balance for this reserve. See Note F for further information regarding the limitations of this State amendment.

The General fund has also restricted \$30,500 for multiple year commitments related to the Superintendent's contract.

Debt Service restricts \$1,463,737 for debt service payments stipulated by bond documents.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Use of Estimates

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

5. Jointly Governed Organization

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

6. Budgetary Information

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

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

Formal budgetary integration is employed as a management control device during the year for the Governmental Funds. The appropriated budget is prepared by fund. The District's department heads may not make transfers of appropriations. The legal level of control is the fund level. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Finance Director.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Revisions that alter the total expenditures of any fund must be approved by the Board of Education. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Education. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances. The Board of Education may authorize supplemental appropriations during the year. Supplemental appropriations were necessary during the fiscal year ended June 30, 2017.

Revenues for the General Fund are budgeted in accordance with the Colorado School Finance Formula, based on student count. Funded pupils for the fiscal year ended June 30, 2017 were 353.4.

7. Pensions

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

NOTE B - DEPOSITS AND INVESTMENTS

Deposits

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

Federal Deposit Insurance Corporation (FDIC) coverage for government accounts is \$250,000 per official custodian. At June 30, 2017 the District's cash deposits had a book balance of \$509,539, and a corresponding bank balance of \$551,754. The difference between the book and bank balances is due to outstanding checks and deposits not yet processed by the banks. The bank balance of \$250,000 was covered by federal deposit insurance. The remaining \$301,754 was in PDPA covered accounts.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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

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

State statutes do not address custodial risk.

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

<u>Investments</u>	<u>Maturities</u>	<u>Total Fair Value</u>
COLOTRUST	Less than 1 year	\$ 2,507,825
	Total	<u>\$ 2,507,825</u>

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

Credit Risk – State law limits investments for school districts to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agencies. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies. As of June 30, 2017, the local government investment pools in which the District participates, COLOTRUST, was rated AAAM by Standard and Poor's, and maintain a constant net asset value of \$1 per share.

Concentration Risk – At June 30, 2017, the District's investment in COLOTRUST represented 100% of the total investments. State statutes do not limit the amount the District may invest in a single issuer.

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

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE B - DEPOSITS AND INVESTMENTS - CONTINUED

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

Cash in banks	\$	509,539
Investments		<u>2,507,825</u>
Total	\$	<u>3,017,364</u>
 Statement of Net Position:		
Cash and investments	\$	2,961,742
 Statement of Fiduciary Net Position:		
Cash and cash equivalents		<u>55,622</u>
Total Cash and investments	\$	<u>3,017,364</u>

NOTE C - INTERFUND BALANCES

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

Fund	Receivable	Payable
General	\$ 10,311	\$ -
Capital Reserve	-	10,050
Nonmajor	-	<u>261</u>
	<u>\$ 10,311</u>	<u>\$ 10,311</u>

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

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

Fund	Transfer in	Transfer out
General	\$ -	\$ 190,000
Capital Reserve	140,000	-
Nonmajor	<u>50,000</u>	-
	<u>\$ 190,000</u>	<u>\$ 190,000</u>

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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	\$ 1,082,075	\$ -	\$ -	\$ 1,082,075
Site	670,719	-	-	670,719
Construction in progress	<u>13,706</u>	<u>20,816</u>	<u>27,411</u>	<u>7,111</u>
Total capital assets, not being depreciated	1,766,500	20,816	27,411	1,759,905
Capital assets, being depreciated:				
Buildings	5,526,548	-	-	5,526,548
Site improvements	15,927,033	27,411	-	15,954,444
Equipment	1,054,131	34,530	9,500	1,079,161
Food service equipment	<u>171,503</u>	<u>-</u>	<u>-</u>	<u>171,053</u>
Total capital assets being depreciated	22,678,765	61,941	9,500	22,731,206
Less accumulated depreciation:				
Buildings	4,856,481	35,390	-	4,891,871
Site improvements	7,758,527	663,750	-	8,422,277
Equipment	952,305	17,175	9,500	959,980
Food service equipment	<u>151,355</u>	<u>2,859</u>	<u>-</u>	<u>154,214</u>
Total accumulated depreciation	<u>13,718,668</u>	<u>719,174</u>	<u>9,500</u>	<u>14,428,342</u>
Total capital assets being depreciated, net	<u>8,960,097</u>	<u>(657,233)</u>	<u>-</u>	<u>8,302,864</u>
Governmental activities capital assets, net	<u>\$ 10,726,597</u>	<u>\$ (636,417)</u>	<u>\$ 27,411</u>	<u>\$ 10,062,769</u>

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

Instruction	\$ 706,983
Transportation	5,625
Food service	2,859
Plant maintenance	<u>3,707</u>
Total governmental activities	<u>\$ 719,174</u>

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE E - LONG-TERM OBLIGATIONS

General Obligation Facilities and Improvement Bonds. General Obligation Bonds, series 2008, denominations of \$5,000, dated January 10, 2008, total issue \$1,570,000. The bonds were repaid during the current year.

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

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

Fiscal Year Ending

<u>June 30,</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2018	\$ 66,175	\$ 740,000	\$ 806,175
2019	53,075	755,000	808,075
2020	37,825	770,000	807,825
2021	20,313	785,000	805,313
2022	<u>5,250</u>	<u>420,000</u>	<u>425,250</u>
Total	<u>\$ 182,638</u>	<u>\$ 3,470,000</u>	<u>\$ 3,652,638</u>

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

	<u>Balance</u> <u>6/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>6/30/17</u>	<u>Due within</u> <u>one year</u>
General obligation bonds 2008	\$ 75,000	\$ -	\$ 75,000	\$ -	\$ -
General obligation bond 2014	4,125,000	-	655,000	3,470,000	740,000
Bond premium, 2014 bonds	98,376	-	18,162	80,214	18,162
Compensated absences	<u>64,064</u>	<u>8,063</u>	<u>-</u>	<u>72,127</u>	<u>-</u>
	<u>\$ 4,362,440</u>	<u>\$ 8,063</u>	<u>\$ 748,162</u>	<u>\$ 3,622,341</u>	<u>\$ 758,162</u>

Liabilities for compensated absences are liquidated by the General Fund.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE E - LONG-TERM OBLIGATIONS - CONTINUED

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

NOTE F - TAX, SPENDING, AND DEBT LIMITATION

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The amount restricted in the General Fund at June 30, 2017 for *TABOR* equaled \$226,007. The District restricts a portion of its fund balance in further compliance with *TABOR*.

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

NOTE G - CONTINGENCIES

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

NOTE H - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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.

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.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 District employees 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:

	For the Calendar Year Ended December 31, 2016	For the Calendar Year Ended December 31, 2017
Employer Contribution Rate¹	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 SCHDTF¹	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 \$491,718 for the year ended June 30, 2017.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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 \$17,729,293 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 proportion was .059546%, which was a decrease of .001471 from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$3,060,182. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 221,643	\$ 156
Changes of assumptions or other inputs	5,752,786	79,950
Net difference between projected and actual earnings on pension plan investments	592,831	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	477,704
Contributions subsequent to the measurement date	248,932	-
Total	\$ 6,816,192	\$ 557,810

\$248,932 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	2,300,518
2019	2,443,586
2020	1,259,433
2021	5,913
2022	-
Thereafter	-

South Rount School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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.

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.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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.

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%	

South Rount School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future 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.

South Routt School District RE-3
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2017

NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

Sensitivity of the College 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	\$22,294,017	\$17,729,293	\$14,011,491

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 CRS, as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investment/pera-financial-reports.

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE I - POSTEMPLOYMENT HEALTH CARE BENEFITS - CONTINUED

Funding Policy. The District is required to contribute at a rate of 1.02% of PERA includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. For the years ending June 30, 2015, 2016, and 2017, the District's employer contributions to HCTF were \$26,325, \$27,288, and \$27,288 equal to their required contributions for each year.

NOTE J - DEFINED CONTRIBUTION PENSION PLAN

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

Funding Policy. The 401(k) Plan is funded by voluntary member contributions of up to a maximum limit set by the IRS (\$18,000 for the calendar year 2015 and 2016, and \$18,000 for the 2017). In addition, catch-up contributions, up to \$6,000 for the calendar year 2015, \$6,000 for 2016, and \$6,000 for 2017 were allowed for participants who had attained age 50 before the close of the plan year, subject to the limitations of IRC section 414(v). The contribution requirements for the District are established under Title 24, Article 51, Section 1402 of the CRS, as amended. The District made no contributions for the years ended June 30, 2015, 2016, and 2017.

NOTE K - RISK MANAGEMENT

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

South Routt School District RE-3
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE L - STATE INTEREST FREE LOAN PROGRAM

During the year ended June 30, 2017, the District did not borrow from the state-sponsored interest-free loan program to provide cash flow throughout the fiscal year. Instead of the interest free loan the State Board of Education had approved a contingency reserve fund payment (short term loan) to the District of \$1,000,000 which was received in July 2016. Also state equalization was accelerated to be received by the District to cover cash flow resulting in another \$1,000,000 being received in July 2016 and \$300,000 in August 2016. The loan and interest was paid off before the end of the fiscal year.

South Routt School District RE-3
 BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2017

	Food Service Fund
ASSETS	
Cash and cash equivalents	\$ 25,430
Inventory	6,641
Total assets	\$ 32,071
 LIABILITIES AND FUND BALANCES	
Liabilities	
Accrued compensation	\$ 17,481
Due to other funds	261
Unearned revenues	2,944
Total liabilities	20,686
 Fund balances	
Nonspendable	6,641
Assigned to	
Food service	4,744
Total fund balances	11,385
Total liabilities and fund balances	\$ 32,071

South Routt School District RE-3
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2017

	Food Service Fund
REVENUES:	
Federal sources	\$ 62,175
State sources	2,261
Local and intermediate sources	74,590
Total revenues	139,026
EXPENDITURES	
Current:	
Food services	186,631
Capital outlay	1,284
Total expenditures	187,915
Excess of revenues over (under) expenditures	(48,889)
OTHER FINANCING SOURCES (USES)	
Transfers in	50,000
Total other financing sources and uses	50,000
Net change in fund balances	1,111
Fund balance, beginning of year	10,274
Fund balance, end of year	\$ 11,385

South Routt School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Federal sources	\$ 70,000	\$ 70,000	\$ 62,175	\$ (7,825)
State sources	1,700	1,700	2,261	561
Local and intermediate sources	78,300	78,300	74,590	(3,710)
Total revenues	<u>150,000</u>	<u>150,000</u>	<u>139,026</u>	<u>(10,974)</u>
EXPENDITURES				
Current				
Supporting services				
Food service	210,000	210,000	187,915	22,085
Contingency	4,207	10,274	-	10,274
Total expenditures	<u>214,207</u>	<u>220,274</u>	<u>187,915</u>	<u>32,359</u>
Excess of revenues over (under) expenditures	(64,207)	(70,274)	(48,889)	21,385
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>60,000</u>	<u>60,000</u>	<u>50,000</u>	<u>(10,000)</u>
Net change in fund balances	(4,207)	(10,274)	1,111	11,385
Fund balance, beginning of year	4,207	10,274	10,274	-
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,385</u>	<u>\$ 11,385</u>

South Rount School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
CAPITAL RESERVE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Earnings on investments	\$ 250	\$ 500	\$ 1,766	\$ 1,266
Total revenues	250	500	1,766	1,266
EXPENDITURES				
Capital outlay	140,250	142,250	36,050	106,200
Contingency	261,650	261,841	-	261,841
Total expenditures	401,900	404,091	36,050	368,041
Excess of revenues over (under) expenditures	(401,650)	(403,591)	(34,284)	369,307
OTHER FINANCING SOURCES (USES)				
Gain on sale of assets	-	1,750	1,750	-
Transfers in	140,000	140,000	140,000	-
Total other financing sources	140,000	141,750	141,750	-
Net change in fund balances	(261,650)	(261,841)	107,466	369,307
Fund balance, beginning of year	261,650	261,841	261,841	-
Fund balance, end of year	\$ -	\$ -	\$ 369,307	\$ 369,307

South Routt School District RE-3
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET TO ACTUAL
DEBT SERVICE FUND
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
REVENUES				
Property taxes	\$ 812,000	\$ 1,032,077	\$ 1,049,823	\$ 17,746
Earning on investments	1,138	21,000	8,969	(12,031)
Total revenues	813,138	1,053,077	1,058,792	5,715
EXPENDITURES				
Debt service				
Principal	730,000	740,000	730,000	10,000
Interest	78,138	71,125	78,137	(7,012)
Other	5,000	-	-	-
Contingency	1,425,685	1,213,082	-	1,213,082
Total expenditures	2,238,823	2,024,207	808,137	1,216,070
Excess of revenues over (under) expenditures	(1,425,685)	(971,130)	250,655	1,221,785
Fund balance, beginning of year	1,425,685	1,213,082	1,213,082	-
Fund balance, end of year	\$ -	\$ 241,952	\$ 1,463,737	\$ 1,221,785

South Routt School District RE-3
 SCHEDULE OF CHANGES IN FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 For the Year Ended June 30, 2017

	Student Activity Agency Funds	Endowment Promotion Fund	Total
Additions			
Fundraising events	\$ 175,656	\$ -	\$ 175,656
Total additions	175,656	-	175,656
Deductions			
Athletic/Activity expenditures	172,491	3,776	176,267
Total deductions	172,491	3,776	176,267
Change in activity funds	3,165	(3,776)	(611)
Due to student groups, beginning of year	48,292	7,941	56,233
Due to student groups, end of year	\$ 51,457	\$ 4,165	\$ 55,622
Appropriations	\$ 348,292	\$ 12,441	
Expenditures	172,491	3,776	
Variance positive (negative)	175,801	8,665	

South Rount School District RE-3

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2017

<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	0.064990%	\$ 8,808,268	\$ 2,705,094	326%	63%
December 31, 2015	0.061017%	9,332,061	2,658,341	351%	59%
December 31, 2016	0.059546%	17,729,293	2,670,527	664%	43%

South Rount School District RE-3

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2017

	<u>Required employer contribution</u>	<u>Employer contributions recognized by the plan</u>	<u>Difference</u>	<u>Employer covered payroll</u>	<u>Contributions as a percentage of employer covered payroll</u>
June 30, 2015	\$ 435,873	\$ 435,873	\$ -	\$ 2,580,911	16.89%
June 30, 2016	474,283	474,283	-	2,675,315	17.73%
June 30, 2017	491,718	491,718	-	2,675,329	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.



Colorado Department of Education
Auditors Integrity Report
District: 2780 - SOUTH ROUTT RE 3
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	180,760	6,318,894	5,319,015	1,180,640
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	180,760	6,318,894	5,319,015	1,180,640
11 Charter School Fund	0	0	0	0
20.26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
21 Food Service Spec. Revenue Fund	10,275	189,026	187,917	11,385
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,213,082	1,058,792	808,138	1,463,716
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	261,841	143,516	36,050	369,307
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0
Totals	1,665,958	7,710,228	6,351,119	3,025,068
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	7,941	0	3,776	4,165
74 Pupil Activity Agency Fund	48,293	175,656	172,491	51,458
79 GASB 14 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	56,233	175,656	176,267	55,622

FINAL