

**Garfield School District RE-2**

**Financial Report**

**June 30, 2015**



**Garfield School District RE-2  
Financial Report  
June 30, 2015**

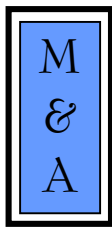
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## INDEPENDENT AUDITOR'S REPORT

**To the Board of Education  
Garfield School District RE-2  
Rifle, Colorado**

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield School District RE-2, (the "District"), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

### ***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 Garfield School District RE-2, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S OPINION**  
**To the Board of Education**  
**Garfield School District RE-2**

***Emphasis of Matter***

As discussed in Note IV (E) to the financial statements, in the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board Statement No.68, Accounting and Financial Reporting for Pensions. Our opinion is not modified with respect to this matter.

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. The budgetary comparison schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

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

**INDEPENDENT AUDITOR'S OPINION**  
**To the Board of Education**  
**Garfield School District RE-2**

***Other Matters (continued)***

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepting in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

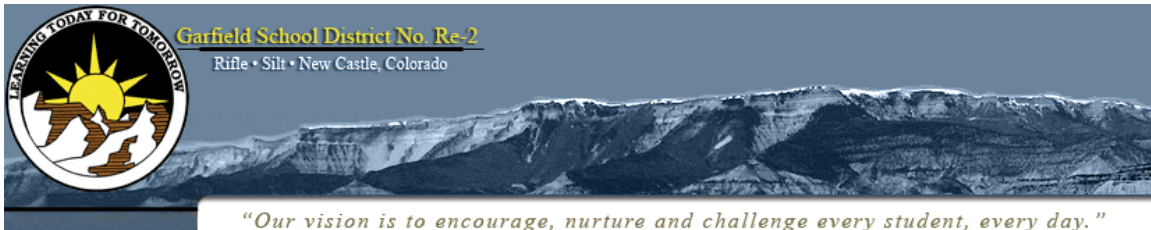
***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

**McMahan and Associates, L.L.C.**  
**November 16, 2015**

## Garfield School District RE-2

### Management's Discussion and Analysis



*"Our vision is to encourage, nurture and challenge every student, every day."*

# Garfield School District No. Re-2

## *Management's Discussion and Analysis*

**June 30, 2015**

As management of the Garfield School District No. Re-2 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2015.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. A comparison to the prior year's activity is also provided in this document. The District's basic financial statements are comprised of three components: 1) district-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**District-wide Financial Statements:** The district-wide financial statements are designed to provide readers with a broad overview of the District's finances, using accounting methods similar to those used by a private-sector business.

The Statement of Net Position presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

Both of the district-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The two categories that can be reported in the District-wide financial statements are as follows:

- **Governmental activities:** Most of the District's basic services are included here, such as instructional services, support services, and student activities.
- **Business-type activities:** There are no business-type activities reported by the District. The Food Service Fund used to be classified as a business-type activity, but was reclassified by the State of Colorado as a governmental activity as of 2014-15.

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

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



## Overview of the Financial Statements (continued)

**Governmental Funds:** Governmental funds are used to account for essentially the same functions reported as governmental activities in the district-wide financial statements. However, unlike the district-wide financial statements, 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 a government's near-term financing requirements. The District's most significant, or "major", governmental funds include the General Fund, Capital Projects Fund, Designated Purpose Grant Fund, and Bond Redemption Fund. The District reports the Pupil Activity Fund and the Food Service Fund as nonmajor funds.

Because the focus of governmental funds is narrower than that of the district-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the district-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The basic major governmental fund financial statements can be found on pages **C3** through **C6**.

**Proprietary Funds:** The District used to maintain Proprietary Funds commonly known as Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District no longer has any Proprietary Funds.

**Fiduciary Funds:** Fiduciary Funds are used to account for resources held for the benefit of parties outside the government. Fiduciary Funds are not reflected in the district-wide financial statements 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 used by the District accounts for student clubs and other organizations which exist with the explicit approval of, and are subject to revocation by, the District's Board of Education.

The basic Fiduciary Fund financial statements can be found on page **C7** of this report.

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the district-wide and fund financial statements. The Notes to the Financial Statements can be found on pages **D1 – D25** of this report.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents supplementary information concerning the District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets for all funds.

## District-wide Financial Analysis:

### Garfield School District No. Re-2 Net Position:

The following table provides a summary of the District's net position as of the fiscal years ended June 30, 2014 and June 30, 2015.

	Governmental Activities		Business-type Activities		Total	
	2014-15	2013-14 Restated (Note A)	2014-15	2013-14 Restated (Note A)	2014-15	2013-14
<b>Assets:</b>						
Current and other assets	\$ 30,154,486	\$ 28,744,364	-	-	30,154,486	28,744,364
Capital assets, net	128,141,175	133,381,337	-	-	128,141,175	133,381,337
<b>Total Assets</b>	<b>158,295,661</b>	<b>162,125,701</b>	<b>-</b>	<b>-</b>	<b>158,295,661</b>	<b>162,125,701</b>
Deferred outflow on refunding	8,611,322	9,026,859	-	-	8,611,322	9,026,859
Pension related deferred outflow (Note B)	3,944,356	-	-	-	3,944,356	-
<b>Total Assets/Deferred outflow</b>	<b>\$ 170,851,339</b>	<b>171,152,560</b>	<b>-</b>	<b>-</b>	<b>166,906,983</b>	<b>171,152,560</b>
<b>Liabilities:</b>						
Current liabilities	6,251,236	4,415,796	-	-	6,251,236	4,415,796
Non-current liabilities:						
Bonded debt	104,649,947	110,248,055	-	-	104,649,947	110,248,055
Net pension liability/pension related deferred inflow (Note B)	77,519,527	-	-	-	77,519,527	-
<b>Total Liabilities/Deferred inflow</b>	<b>\$ 188,420,710</b>	<b>\$ 114,663,851</b>	<b>-</b>	<b>-</b>	<b>188,420,710</b>	<b>114,663,851</b>
<b>Net Position:</b>						
Net investment in capital assets	23,491,228	23,002,815	-	-	23,491,228	23,002,815
Restricted for other purposes	14,153,505	12,935,945	-	-	14,153,505	12,935,945
Unrestricted	(55,214,104)	20,549,949	-	-	(55,214,104)	20,549,949
<b>Total Net Position</b>	<b>\$ (17,569,371)</b>	<b>\$ 56,488,709</b>	<b>-</b>	<b>-</b>	<b>(17,569,371)</b>	<b>56,488,709</b>

**Note A:** The Food Service Fund was restated to a Governmental Activity for 2013-14 for comparison purposes, since the Food Service Fund was changed from a Business-type Activity to a Governmental Activity for 2014-15.

**Note B:** Financial data for the District's proportionate share in the multi-employer pension plan, Colorado Public Employee's Retirement Association (PERA), is required by Governmental Accounting Standards Board ("GASB") Statement 68 to be included in the government-wide financials as of 6/30/15. See the Statement of Activities on page B4 for the restatement of beginning net position in accordance with the implementation of GASB Statement 68.

Of the District's total assets in 2014-15, 75% are capital assets (e.g.: land, buildings, and equipment). The percentage of capital assets in relation to total assets decreased from 78% in 2013-14, because there has been little additional construction since the 2006 Bond Construction was completed in 2010. The District's depreciation of assets exceeded additions to capital assets by \$5,240,162 for 2014-15. The District does not have the funds to be able to keep up with depreciation of capital assets, and is now maintaining records to estimate the amount of deferred maintenance, which is increasing each year. The District uses capital assets to provide instruction and related services to its students.

It is also worth noting that net position may serve as an indicator of the District's financial position over time. The District's total net position decreased by \$74,058,081 during fiscal year 2014-15, mostly due to an accounting change to include the net pension liability from PERA (Public Employee Retirement

Association) related directly to the District's current employees. Basically, the Net Pension Liability takes the total assets of PERA, plus anticipated rates of return, less the anticipated amount that will be owed in the future for pension payments. The total net reduction from recording the PERA pension liability totals \$73,575,171. The additional net reduction from all other activities totals \$482,910. This amount is mainly due to the results of operations. The reduction of bond debt due to debt repayment and additional refunding costs nearly offset the reduction in Net Capital Assets due to depreciation.

The Net Position Restricted for Other Purposes includes the net position of the Bond Redemption Fund, Food Service Fund, TABOR emergency reserves, and reserved assets in the General and Capital Project Funds.

### District-wide Financial Analysis (continued)

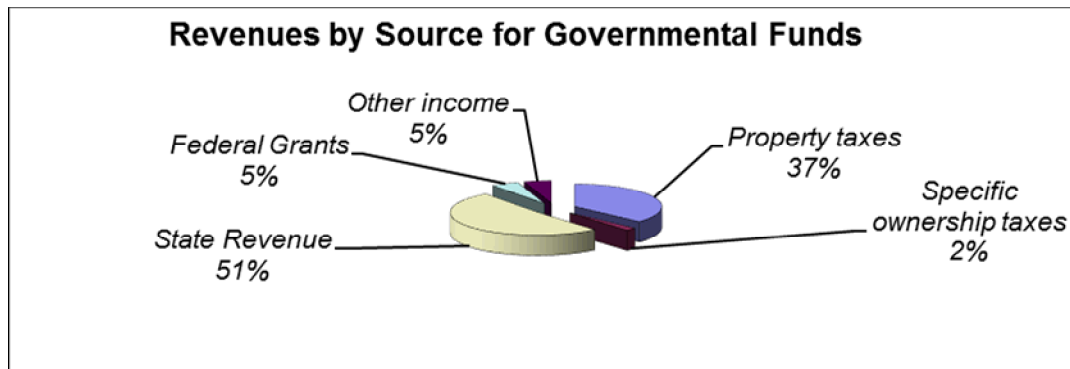
#### Statement of Activities for 2013-14 and 2014-15 (NOTE A)

	Governmental Activities		Business-type Activities		Total	
	2014-15	2013-14 Restated(Note A)	2014-15	2013-14 Restated(Note A)	2014-15	2013-14 Restated(Note A)
<b>Revenues:</b>						
<i>Program revenues</i>						
Charges for services	\$ 1,019,940	1,038,053	-	-	1,019,940	1,038,053
Operating grants, contributions	5,568,371	3,718,864	-	-	5,568,371	3,718,864
Capital grants, contributions	-	13,695	-	-	-	13,695
<i>General revenues</i>						
Property taxes	19,692,478	17,594,458	-	-	19,692,478	17,594,458
Specific ownership taxes	1,066,160	1,042,913	-	-	1,066,160	1,042,913
State revenue	26,010,699	24,309,166	-	-	26,010,699	24,309,166
Investment earnings	23,677	54,775	-	-	23,677	54,775
Other	(3,236)	1,523,112	-	-	(3,236)	1,523,112
<b>Total revenues</b>	<b>\$ 53,378,089</b>	<b>49,295,036</b>	<b>-</b>	<b>-</b>	<b>53,378,089</b>	<b>49,295,036</b>
<b>Expenditures:</b>						
Instructional programs	30,388,162	27,772,864	-	-	30,388,162	27,772,864
Supporting services	20,426,607	18,575,482	-	-	20,426,607	18,575,482
Student activities	701,240	751,643	-	-	701,240	751,643
Food services	1,301,729	1,289,972	-	-	1,301,729	1,289,972
Interest on long-term debt	3,620,896	4,028,564	-	-	3,620,896	4,028,564
<b>Total Expenses</b>	<b>\$ 56,438,634</b>	<b>52,418,525</b>	<b>-</b>	<b>-</b>	<b>56,438,634</b>	<b>52,418,525</b>
<b>Change in net position</b>	<b>(3,060,545)</b>	<b>(3,123,489)</b>	<b>-</b>	<b>-</b>	<b>(3,060,545)</b>	<b>(3,123,489)</b>
<b>Net position - July 1</b>	<b>56,488,709</b>	<b>59,612,198</b>	<b>-</b>	<b>-</b>	<b>56,488,709</b>	<b>59,612,198</b>
Restatement (Note B)	(70,997,535)					
<b>Net position-July 1 restated</b>	<b>(14,508,826)</b>					
<b>Net position - June 30</b>	<b>\$ (17,569,371)</b>	<b>56,488,709</b>	<b>-</b>	<b>-</b>	<b>53,428,164</b>	<b>56,488,709</b>

NOTE A: For comparison purposes, 2013-14 has been restated to reflect the change of the Food Service Fund from a business-type fund to a governmental fund in 2014-15.

NOTE B: The beginning net position has been restated in the current year to reflect the implementation of GASB Statement 68, which requires recording a liability for the District's share of the Colorado PERA pension plan's net pension liability.

**Governmental Activities:** Net position for governmental activities decreased by (\$3,060,545) for the fiscal year 2014-15. Operating activities totaling (\$427,797), plus (\$2,577,636) in Net Pension Liability increase for 2014-15 is the majority of the reason for the decrease in Net Position.



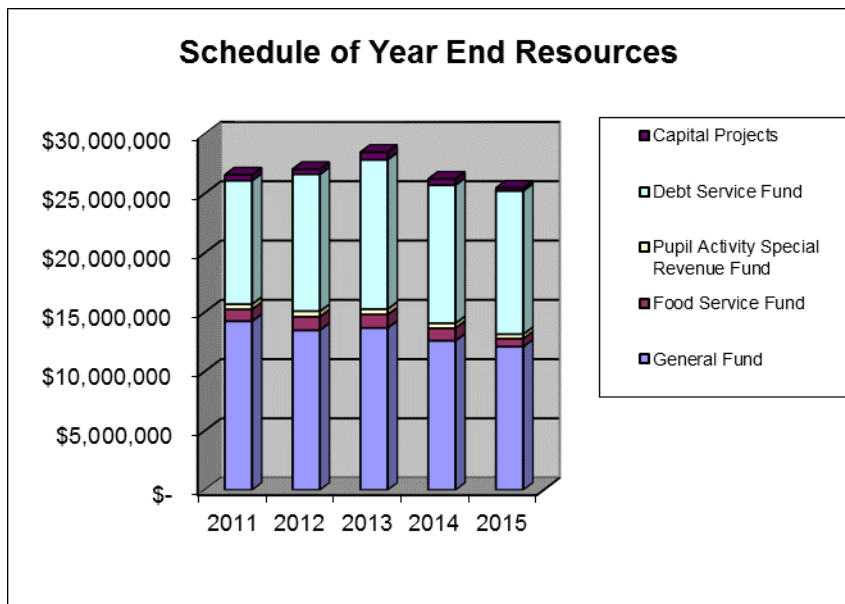
## Financial Analysis of the District's Funds

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

**Governmental Funds:** The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balances may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,463,887, a decrease of (\$427,797) compared to the prior year ending fund balances. The bond redemption fund realized a total fund balance increase of \$433,018, due to additional tax collections plus additional revenues from an oil and gas tax audit for 2014-15. The General Fund incurred a decrease totaling (\$495,329), which is less than the budgeted decrease of (\$909,531). The reason for the lower use of fund balance for the General Fund was mostly due to non-salary expenses that were carried over into 2015-16. The Capital Projects Fund showed a decreased fund balance totaling (\$259,766), due to a one-time approved use of fund balance for capital projects which was budgeted and approved. The following graph provides a view of the District's ending fund balances for the last five fiscal years:

The Food Service Fund, which is now a governmental fund instead of a proprietary fund, has had its Net Position reduced to take out Capital Assets due to the new accounting reclassification.



**Budget Variances in the General Fund:** The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund.

*Budget vs. Actual Results, General Fund:*

One of the most important variances to discuss is budgeted vs. actual revenues and expenditures in the general fund. The General Fund showed a decrease in fund balance totaling (\$495,329). This is a \$414,202 favorable variance compared to budget, which is mostly due to a savings in non-salary expenses, partly which was carried over for use in 2015-16.

The 2014-15 ending fund balance totals \$12,092,304. The original 2015-16 budget has a reduction in fund balance totaling (\$910,611).

The \$414,202 bottom-line budget variance is due to two contributing factors: 1. increase in revenues totaling \$30,457, and 2. favorable expenditure variances totaling \$383,745. The major variances are summarized below by revenues, expenditures, and fund transfers:

- Increased revenues of \$30,457, which is due to an increase in delinquent taxes collected.
- A favorable budget vs. actual expenditure variance of \$383,745, including:
  - A \$94,542 favorable salary and benefit variance, mostly due to contract variances;
  - A favorable non-salary variance totaling \$289,203, including:
    - \$111,106 in unused textbook expenses, since they could not find a viable curriculum during 2014-15, so that funding has been carried over to 2015-16;
    - \$21,627 in funding for the schools carried over to 2015-16;
    - \$108,818 in favorable variance due to a reimbursement from Board of Cooperative Education Services;
    - \$56,632 in favorable phones/internet variances;
    - \$82,158 in favorable transportation variances, mostly from favorable fuel costs;
    - (\$91,138) in other net favorable variances, including (\$100,000) budgeted reduction in expected unused non-salary expenses.

The District monitors variances that occur during the year, and includes a projection of year-end revenues and expenditures in the annual budget. All 2014-15 revenue and expenditure variances have been evaluated to determine whether they need to be included in the 2015-16 budget as a carryover or variance, to assure that the District is budgeting as closely as possible.

**Capital Assets:** The District's governmental capital assets, net of accumulated depreciation, totaled \$128,141,175 as of June 30, 2015. The District capitalizes assets, including land, buildings and improvements, equipment, and construction in progress, with an original cost greater than \$5,000. The District's investment in capital assets decreased government-wide, net of depreciation expense, by \$5,240,162 for fiscal year 2014-15 due to depreciation costs in excess of additional capital improvements. This decrease in investment in capital assets is a good indicator that the District is incurring deferred maintenance items that will need to be addressed in future years. The funds for capital asset additions are expended from the Capital Projects Fund and the Grant Fund for capital projects funded by grants.

Additional information as well as a detailed classification of the District's net capital assets can be found in the Notes to the Financial Statements on Page **D13** of this report.

**Non-Current Liabilities:** As of the end of the current fiscal year, the District's non-current liabilities totaled \$182,120,883, representing an increase of \$71,872,828. This difference in long-term liabilities is due to the impact of including the Net Pension Liability in the government-wide financial statements, which increased non-current liabilities by \$77,470,936. The remaining change in non-current liabilities is a reduction in liabilities totaling (\$5,598,108) which was due to repayment of bonded debt.

Colorado School law limits the amount of bonded indebtedness to the greater of 20% of the most current valuation for assessment of the taxable property in the District as certified by the County Assessor's Office, or 6% of the most recent actual valuation of the taxable property in the District, as certified by the

County Assessor's Office. The District's legal bonded debt limit as of June 30, 2015 is \$240,176,396, which represents 20% of the certified assessed value of property within Re-2's taxing district.

Additional information, as well as a detailed classification of the District's total long-term liabilities, can be found in the Notes to the Financial Statements on pages **D14 – D24** of this report.

## **Economic Factors**

The Public School Finance Act of 1994 is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school district based upon a formula that takes in to account cost of living, number of students, district size, personnel vs. nonpersonnel costs, number of at-risk students, amongst other factors. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax state-wide for all districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

$$\text{Total Program Funding} = \text{local property taxes} + \text{general specific ownership taxes} + \text{state equalization}$$

School district finance is also significantly affected by Amendment 23, which was approved by the voters in November, 2000. This state constitutional amendment requires that statewide base per pupil funding and state categorical program funding increase by inflation plus one percent for ten years beginning with the fiscal year ended June 30, 2002. After that ten year window expired, the state must increase funding at the rate of inflation. This funding calculation attempts to align Colorado districts to inflation-adjusted funding levels of 1988. The formula will also increase the District's reliance upon the state and decrease the District's reliance upon local funding over time.

Due to the economic recession coupled with competing state constitutional funding amendments, the state has not been able to fund school districts at the level required by Amendment 23 of the Colorado Constitution. This funding anomaly has put additional strain on school district finances and the certainty of funding to be received each year.

The majority of the revenue in Re-2's general fund, approximately 80%, comes from the state's funding formula. We will focus on that funding stream, since it accounts for such a large percentage of the District's revenue.

Most school district operating revenue comes from the School Finance Act of 1994 (SFA). Under this act, the District received \$6,809 per funded pupil in fiscal year 2014-15 with a funded pupil count of 4,663. SFA funding comes from general fund property taxes, specific ownership taxes, and state equalization. The District received 81.2% of SFA funding from the state and 18.8% from property taxes and specific ownership tax. Below is a graph that summarizes what has happened to SFA funding from 2007-08 to present, including student count data by year. Notice the sharp decline in funding per student, due to cuts in K-12 education through the state. This reduction in funding was due to the legislature implementing a "negative factor" in the school finance funding formula, which is used to reduce school district funding in order to balance the state's budget. The total reduction from the negative factor between 2009-10 and 2014-15 totals \$4.7 million for Garfield Re-2. Per student funding increased for 2014-15, and an additional increase has been realized for 2015-16. However, after that point, funding for K-12 education is not as certain due to competing constitutional amendments and extremely limiting state constitutional revenue growth. The preliminary 2016-17 funding shows an increase to the negative factor, which will reduce funding changes to lower than inflation.

<b>Student Count and Funding by Year</b>		
	<i>Student Count, Excl. On-line</i>	<i>Per Student Funding</i>
2007-08	4,151	\$ 6,389
2008-09	4,488	\$ 6,582
2009-10	4,450	\$ 6,974
2010-11	4,497	\$ 6,324
2011-12	4,531	\$ 6,262
2012-13	4,638	\$ 6,257
2013-14	4,632	\$ 6,428
2014-15	4,663	\$ 6,809

The District's total program per pupil funding increased from \$6,428 to \$6,809 for fiscal years 2013-14 and 2014-15 respectively, representing a 5.9% increase between years. Despite this increase, the state stabilization factor, also known as the "negative factor", has still reduced Amendment 23 funding by (15%), including the inflationary adjustments required by Amendment 23.

The District's funded pupil count increased from 4,632 to 4,663 for 2013-14 and 2014-15 respectively, representing a .7% increase between years. The district has statistically seen a 0 – 2% growth rate annually, with a relatively stable student population.

The State of Colorado is currently reviewing its 2016-17 budget. Colorado's K-12 funding forecasted for 2016-17 is showing currently that the State plans to fund inflation and student growth, but it is also expecting to reduce the resulting funding by \$59 per student, or about .8% by increasing the "negative factor". The state's economic outlook will have an impact on next year's budget that is yet to be determined. Also, it is likely that the State will continue to increase the negative funding factor for K-12 education due to constitutional limitations on state-wide revenue growth. This will result in funding below inflation, or reduced funding, annually for school districts until the constitutional limitations are somehow fixed.

The District passed a continual mill levy override in 2004 and 2006. The 2004 mill levy override totals \$2.7 million, and is for operational expenditures at Coal Ridge High School, staff raises, and teachers/aides to minimize class size. The 2006 mill levy override totals \$1.6 million, and is for staff raises, and rising fuel/utilities costs. All of this funding is sustaining the recurring expenditures for the costs associated with the above purposes.

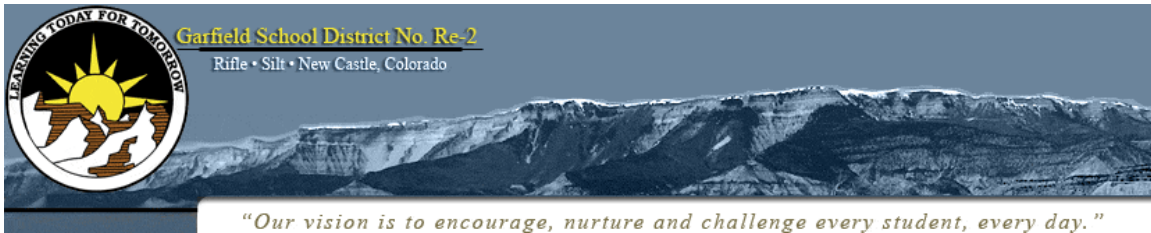
**Next Year's Budget and Rates:** The District's General Fund balance at the end of 2014-15 totaled \$12,092,304. The current school board believes in keeping the fund balance at a minimum of \$8 million to be able to sustain the District during low cash flow months without the need to borrow from the state on a short-term basis. For the 2015-16 original budget, the District's net loss totals (\$910,611), which is part of the Board's plan to use fund balance in lieu of additional budget cuts that would otherwise be necessary because of the reduction in revenue. Fund balance has decreased from \$14.9 million to \$12.1 million currently, and we are anticipating to spend an additional \$1 million in fund balance per year. Within the next three years from 2015-16, the District will need to make cuts or ask for additional funding through a mill levy override in order to balance its budget.

### **Request for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Garfield School District No. Re-2, District Finance Director, 839 Whiteriver Avenue, Rifle, Colorado 81650.

## Garfield School District RE-2

### Basic Financial Statements





**Garfield School District RE-2**

**Statement of Net Position**

**June 30, 2015**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 27,528,961
Accounts and taxes receivable	1,600,020
Due from other governments	950,474
Prepaid expenses	44,963
Inventory	30,069
Total current assets	<u>30,154,487</u>
Capital assets:	
Land	1,105,238
Construction in progress	610,904
Buildings and improvements	175,766,225
Vehicles	3,839,376
Equipment	3,112,244
Less: accumulated depreciation	<u>(56,292,812)</u>
Net capital assets	<u>128,141,175</u>
Total assets	<u>158,295,662</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Charge on refunding	8,611,322
Pension related deferred outflow	<u>3,944,356</u>
Total deferred outflows of resources	<u>12,555,678</u>
<b>LIABILITIES</b>	
Current liabilities:	
Accounts and other payables	914,424
Accrued salaries and benefits	2,284,864
Accrued interest	531,103
Compensated absences	1,340,491
Unearned revenue	<u>1,180,355</u>
Total current liabilities	<u>6,251,237</u>
Noncurrent liabilities:	
Bonded debt and capital leases:	
Due within one year	5,575,851
Due in more than one year	99,074,096
Net Pension Liability	<u>77,470,936</u>
Total noncurrent liabilities	<u>182,120,883</u>
Total liabilities	<u>188,372,120</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Pension related deferred inflow	<u>48,591</u>
Total deferred inflows of resources	<u>48,591</u>
<b>NET POSITION</b>	
Net investment in capital assets	23,491,228
Restricted for:	
TABOR	1,404,000
Debt service	12,075,963
Other purposes	673,542
Unrestricted	<u>(55,214,104)</u>
Total net position	<u>\$ (17,569,371)</u>

The notes are an integral part to these financial statements.

**GARFIELD SCHOOL DISTRICT RE-2**  
**Statement of Activities**  
**For the Year Ended June 30, 2015**

Functions/Programs	Expenses	Program Revenues			Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Current:					
Direct instruction	\$ 30,389,300	\$ 225,908	\$ 1,559,915	\$ -	\$ (28,603,477)
Indirect instruction	5,511,221	-	-	-	(5,511,221)
Transportation	1,556,398	-	293,483	-	(1,262,915)
Custodial and maintenance	5,270,386	70	-	-	(5,270,316)
Support services	4,224,477	-	-	-	(4,224,477)
General administration	3,836,406	-	-	-	(3,836,406)
Community service	27,306	-	-	-	(27,306)
Student activities	700,986	526,914	125,256	-	(48,816)
Food service	1,301,258	267,048	909,610	-	(124,600)
Interest	3,620,896	-	-	-	(3,620,896)
Total	<u>\$ 56,438,634</u>	<u>1,019,940</u>	<u>2,888,264</u>	<u>-</u>	<u>(52,530,430)</u>
General revenues:					
Taxes:					
Local property taxes - levied for general operations				\$	10,313,285
Local property taxes - levied for debt service					9,379,193
Specific ownership taxes					1,066,160
State revenue					26,010,699
Grants and contributions not restricted to specific programs					2,680,107
Interest and investment earnings					23,677
Gain (loss) on disposal of assets					(3,236)
Total general revenues and transfers					<u>49,469,885</u>
Change in net position					(3,060,545)
Net position, beginning (restated)					<u>(14,508,826)</u>
Net position, ending				\$	<u>(17,569,371)</u>

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

**GARFIELD SCHOOL DISTRICT RE-2**

**Balance Sheet  
Governmental Funds  
June 30, 2015**

	<b>General Fund</b>	<b>Bond Redemption Fund</b>	<b>Designated Purpose Grants Fund</b>	<b>Capital Projects Fund</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS AND OTHER DEBITS</b>						
Assets:						
Cash and cash equivalents	\$ 14,123,125	\$ 12,075,057	\$ (382,421)	\$ 652,556	\$ 1,060,644	\$ 27,528,961
Accounts and taxes receivable	685,375	150,686	-	-	-	836,061
Due from other governments	624,849	-	1,089,586	-	-	1,714,435
Prepaid expenses	24,963	-	-	20,000	-	44,963
Inventories	-	-	-	-	30,069	30,069
Total assets and other debits	<u>\$ 15,458,312</u>	<u>\$ 12,225,743</u>	<u>\$ 707,165</u>	<u>\$ 672,556</u>	<u>\$ 1,090,713</u>	<u>\$ 30,154,489</u>
<b>LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES</b>						
Liabilities:						
Accounts and other current payables	\$ 405,667	\$ 3,500	\$ 9,985	\$ 425,619	\$ 12,047	\$ 856,818
Accrued compensation	2,200,478	-	54,403	-	29,983	2,284,864
Payroll withholdings and deductions	57,607	-	-	-	-	57,607
Unearned revenue	537,578	-	642,777	-	-	1,180,355
Total liabilities	<u>3,201,330</u>	<u>3,500</u>	<u>707,165</u>	<u>425,619</u>	<u>42,030</u>	<u>4,379,644</u>
Deferred inflows of resources:						
Unavailable property taxes	<u>164,678</u>	<u>146,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>310,958</u>
Fund balances:						
Nonspendable:						
Prepaid expenses	\$ 24,963	\$ -	\$ -	\$ 20,000	\$ -	\$ 44,963
Inventory	-	-	-	-	30,069	30,069
Restricted:						
TABOR	1,280,000	-	-	63,000	61,000	1,404,000
Debt service	-	12,075,963	-	-	-	12,075,963
Committed	-	-	-	111,432	-	111,432
Assigned	-	-	-	52,505	957,614	1,010,119
Unassigned	10,787,341	-	-	-	-	10,787,341
Total fund balances	<u>12,092,304</u>	<u>12,075,963</u>	<u>-</u>	<u>246,937</u>	<u>1,048,683</u>	<u>25,463,887</u>
Total liabilities, deferred inflows, and fund balance	<u>\$ 15,458,312</u>	<u>\$ 12,225,743</u>	<u>\$ 707,165</u>	<u>\$ 672,556</u>	<u>\$ 1,090,713</u>	<u>\$ 30,154,489</u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2015**

Governmental Funds Total Fund Balance	\$	25,463,887
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*Add:*

Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures, and therefore, are deferred inflows in the funds.		310,958
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Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:

	Capital assets	184,433,987	
	Accumulated depreciation	<u>(56,292,812)</u>	128,141,175

Charges such as refunding costs on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:

	Refunding costs	8,611,322	8,611,322
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*Less:*

Long-term liabilities, including bonds payable, premiums and discounts on bonds, accrued compensated absences, net pension liability, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:

	Bond debt and interest coupons	(98,220,851)	
	Accrued compensated absences	(1,340,491)	
	Net pension liability	(77,470,936)	
	Premiums and discounts on bonded debt	(6,429,097)	
	Accrued interest	<u>(531,103)</u>	(183,992,478)

Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members.

	Unamortized pension-related deferred outflows	3,944,356	
	Unamortized pension-related deferred inflows	<u>(48,591)</u>	<u>3,895,765</u>

Governmental Activities Net Position	\$	<u><u>(17,569,371)</u></u>
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The accompanying notes are an integral part of these statements.

**GARFIELD SCHOOL DISTRICT RE-2**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	General Fund	Bond Redemption Fund	Designated Purpose Grants Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes:						
Property taxes	\$ 10,213,297	\$ 9,286,275	\$ -	\$ -	\$ -	\$ 19,499,572
Specific ownership taxes	1,066,160	-	-	-	-	1,066,160
State income	27,215,848	-	-	-	27,762	27,243,610
Federal income	927,487	-	901,855	-	881,848	2,711,190
Investment Income	15,992	(254)	-	-	34	15,772
Other	1,318,224	-	407,705	3,960	919,217	2,649,106
Total revenues	<u>40,757,008</u>	<u>9,286,021</u>	<u>1,309,560</u>	<u>3,960</u>	<u>1,828,861</u>	<u>53,185,410</u>
<b>EXPENDITURES</b>						
Current:						
Direct instruction	22,250,255	-	372,144	-	-	22,622,399
Indirect instruction	4,701,467	-	714,739	-	455	5,416,661
Transportation	1,460,941	-	-	-	-	1,460,941
Custodial and maintenance	5,051,048	-	25,000	-	-	5,076,048
Support services	2,637,848	-	-	552,567	2,718	3,193,133
General administration	3,404,121	-	19,221	-	-	3,423,342
Community service	27,094	-	40	-	-	27,134
Student activities	-	-	-	-	687,611	687,611
Food service	-	-	4,438	-	1,243,797	1,248,235
Debt service:						
Principal	-	5,322,275	-	134,805	-	5,457,080
Interest	-	3,507,019	-	5,729	-	3,512,748
Other	-	142,345	-	-	-	142,345
Capital outlay	10,609	-	173,978	1,279,579	-	1,464,166
Total expenditures	<u>39,543,383</u>	<u>8,971,639</u>	<u>1,309,560</u>	<u>1,972,680</u>	<u>1,934,581</u>	<u>53,731,843</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>1,213,625</u>	<u>314,382</u>	<u>-</u>	<u>(1,968,720)</u>	<u>(105,720)</u>	<u>(546,433)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Debt proceeds	-	8,820,000	-	-	-	8,820,000
Premium on bonds	-	647,242	-	-	-	647,242
Payment to refunded bond escrow agent	-	(9,348,606)	-	-	-	(9,348,606)
Transfers in (out)	(1,708,954)	-	-	1,708,954	-	-
Total other financing sources (uses)	<u>(1,708,954)</u>	<u>118,636</u>	<u>-</u>	<u>1,708,954</u>	<u>-</u>	<u>118,636</u>
<b>NET CHANGE IN FUND BALANCES</b>	(495,329)	433,018	-	(259,766)	(105,720)	(427,797)
<b>FUND BALANCES, BEGINNING (Restated)</b>	<u>12,587,633</u>	<u>11,642,945</u>	<u>-</u>	<u>506,703</u>	<u>1,154,403</u>	<u>25,891,684</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 12,092,304</u>	<u>\$ 12,075,963</u>	<u>\$ -</u>	<u>\$ 246,937</u>	<u>\$ 1,048,683</u>	<u>\$ 25,463,887</u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Reconciliation of Revenues, Expenditures and Change in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**June 30, 2015**

Governmental Funds Change in Fund Balances \$ (427,797)

*Add:*

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds. 1,484,318

Debt and capital lease principal payments and transfer to refunding escrow result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments and refunding of bond premium as reductions against long-term liabilities. 14,805,684

Revenues in the Statement of Activities that do not provide current financial resources, such as investment income related to the debt service forward delivery agreement, are not reported as revenues in the funds. 7,905

*Less:*

Unavailable property tax revenues do not provide current financial resources and are deferred on the governmental fund financial statements but recognized on the government-wide financial statements. This is the change in the property tax recognized in the Statement of Activities. 192,906

Debt proceeds represent an increase in current available resources in the fund financial statements. These proceeds represent an increase in liabilities on the government wide financial statements. This represents the total debt proceeds, including capital leases, issued during the year.

Bond proceeds	(8,820,000)	
Bond premium proceeds	(647,242)	
		(9,467,242)

Accrued compensated absences reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year. (246,056)

The costs of advanced refunding of bonds is expensed on the funds, but is capitalized and amortized over the life of the bonds on the government-wide financial statements. Also, accrued interest is recorded as incurred instead of when paid on the funds. This is the impact on interest expense from these items: (108,148)

The disposal of assets can result in a gain or loss equal to the difference between the sales proceeds and the book value of the asset. This is the gain or loss on the sale of District assets. (8,133)

The net pension liability and related deferrals reported in the Statement of Activities do not require the use of current financial resources. This is the difference between employer contributions to the pension plan and the change in the pension liability and amortization of pension deferrals. (2,577,636)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions. (6,716,346)

Governmental Activities Change in Net Position \$ (3,060,545)

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Statement of Fiduciary Net Position**  
**Agency Fund**  
**June 30, 2015**

**ASSETS**

Cash and cash equivalents	\$ 42,071
	<hr/>
Total assets	\$ 42,071
	<hr/> <hr/>

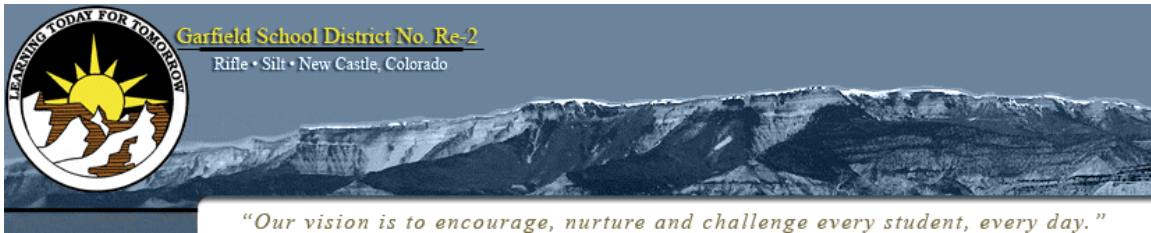
**LIABILITIES**

Accounts payable	\$ 955
Due to student activities	41,116
	<hr/>
Total liabilities	\$ 42,071
	<hr/> <hr/>

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

Garfield School District RE-2

Notes to the Financial Statements





**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**

**I. Summary of Significant Accounting Policies**

Garfield School District RE-2 (the "District") is one of three public school districts within Garfield County, Colorado. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services. The District's boundaries include the towns of New Castle, Silt and Rifle. The District's mission is to *"provide engaging educational experiences in a safe environment for students and staff which results in exemplary learning and teaching"*. The District operates the following schools:

<b>Elementary Schools</b>	<b>Middle Schools</b>	<b>High School</b>
Wamsley Elementary	Riverside Middle School	Rifle High School
Kathryn Senior	Rifle Middle School	Coal Ridge High School
Cactus Valley Elementary		
Highland Elementary		
Graham Mesa Elementary		
Elk Creek Elementary		

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

The more significant accounting policies established by GAAP used by the District are discussed below.

**A. Reporting Entity**

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major funds). Both the District-wide and fund financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties. The District has no business-type activities.

**1. District-wide Financial Statements**

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

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

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

**2. Fund Financial Statements**

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

The District reports the following major governmental funds:

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

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

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

The *Designated Purpose Grant Fund* accounts for various grants received by the District.

The *Capital Projects Fund* accounts for acquisitions of capital items.

The District reports the following fiduciary fund type:

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

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

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

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

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

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**3. Financial Statement Presentation**

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

**D. Financial Statement Accounts**

**1. Cash and Cash Equivalents**

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

**2. Investments**

Investments are stated at fair value.

**3. Receivables**

Receivables are reported net of an allowance for uncollectible accounts.

**4. Property Taxes**

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

**5. Inventory**

Inventory is valued at lower of cost or market, using the first-in, first-out method. Inventory in the Food Services Fund consists of food and non-food items purchased in advance of consumption.

**6. Interfund Receivables and Payables**

Balances at year-end between funds are reported as "due from / due to other funds" in the fund financial statements. Any residual balances not eliminated between the governmental and business-type activities are reported as "internal balances" in the government-wide financial statements.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**7. Capital Assets**

Capital assets, which include land, construction in progress, buildings and improvements, equipment, and vehicles, are the governmental activity columns in the government-wide financial statements. The District defines capital assets as assets with an initial cost of \$5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Capital outlay for projects is capitalized as projects are constructed.

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

<b>Assets</b>	<b>Years</b>
Buildings and improvements	10 - 50
Equipment	5 - 20
Vehicles	10

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

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow if resources (expense/expenditures) until then. The District has two items, charge on refunding and pension related deferred outflows, which qualify for reporting under this category on the Statement of Net Position. A charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt.

Deferred inflows of resources represent an acquisition of net position that applied to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category, unavailable property taxes on the Governmental Funds Balance Sheet and pension related deferred inflows, reported in the Statement of Net Position. These amounts are deferred and recognized as an inflow from resources in the period that the amounts become available.

See Note III (H) below for discussion on pension related deferred outflows and inflows.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**9. Pensions**

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

**10. Compensated Absences**

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it, which is the General Fund. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. Vested or accumulated leave of the proprietary fund type is recorded as an expense and a liability of that fund as the benefits accrue to employees. In accordance with provisions of GASB No. 16, *Accounting for Compensated Absences*, no liability is recorded for non-vesting accumulating rights.

**11. Long-term obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding 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 the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the fund financial statements.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**12. Fund Balance Classifications**

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

The District classifies governmental fund balances as follows:

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

Spendable Fund Balance:

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

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

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**12. Fund Balance Classifications (continued)**

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

The District has a formal minimum fund balance policy requiring \$8,000,000 of total fund balance for the General Fund. However, the District's budget includes a calculation of a targeted reserve positions and the Administration calculates targets and report them annually to the Board of Education.

In addition to the above note disclosure, GASB54 requires disclosure of the following fund definitions.

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

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

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

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

**13. Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures or expenses initially made from it that are properly applicable to another fund, are recorded as expenditures or expenses in the reimbursing fund and as reductions of expenditures or expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.



**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**E. Significant Accounting Policies**

**1. Use of Estimates**

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

**2. Credit Risk**

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

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

**A. Bond Trustee**

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

**B. Budgetary Information**

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

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for 2015.

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**B. Budgetary Information (continued)**

4. The final budget was adopted prior to June 30, along with an appropriation resolution.

During the year, supplemental appropriation resolutions were necessary. The budgetary comparison statements reflect the original budget and the final budget after legally authorized revisions were made.

**C. TABOR Amendment**

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

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

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$1,404,000 of its June 30, 2015 fund balances for this purpose.

In 1998, the District's electorate approved the following ballot question: *"Without any increase in its property tax mill levy, shall Garfield School District No. Re-2 be authorized to collect, retain, and expend all revenues and other funds collected in this fiscal year and in each fiscal year hereafter from any source, including without limitation the full revenue authorized under the Colorado Public School Finance Act of 1994, as amended, or under any successor act, notwithstanding the limitations of Article X, Section 20 of the Colorado Constitution?"*.

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**III. Detailed Notes on All Funds**

**A. Deposits and Investments**

The District maintains a cash pool in which all funds participate. Each fund's position in this pool is a component of "Cash and Cash Equivalents" as displayed on the Statement of Net Position. In addition, several of the District's funds may include cash and investments held separately that are restricted for various purposes.

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

The District is governed by the deposit and investment limitations of state law. The deposits and investments, which also include agency funds, at June 30, 2015, are as follows:

Type:	Standard & Poors Rating	Balance	Maturities	
			Less Than One Year	Less Than Five Years
<i>Deposits:</i>				
Petty cash	Not rated	\$ 7,400	\$ 7,400	\$ -
Checking accounts	Not rated	59,512	59,512	-
<i>Investments:</i>				
Investment pools	AAAm	15,442,993	15,442,993	-
Cash w ith fiscal agent	Not rated	12,061,127	12,061,127	-
		<u>\$ 27,571,032</u>	<u>\$ 27,571,032</u>	<u>\$ -</u>

The investment pools represent investments in the Colorado Government Liquid Asset Trust ("COLOTRUST") and the Colorado Surplus Asset Fund Trust ("CSAFE") which are 2a7-like pools. The fair value of the pools is determined by the pools' share price. The District has no regulatory oversight for the pools.

**Interest Rate Risk.** The District's formal investment policy limits investment maturities as required by state statutes as means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2015 are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**B. Receivables and Unavailable Revenue**

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

	General Fund	Bond Redemption Fund	Designated Purpose Grants Fund
Receivables:			
Taxes	\$ 253,300	\$ 150,686	\$ -
Accounts	432,074	-	763,961
Intergovernmental	624,849	-	325,625
Gross receivables	<u>1,310,223</u>	<u>150,686</u>	<u>1,089,586</u>
Less: allowance for uncollectible	-	-	-
<b>Net Receivables</b>	<u><u>\$ 1,310,223</u></u>	<u><u>\$ 150,686</u></u>	<u><u>\$ 1,089,586</u></u>

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. This includes unavailable revenue for property taxes levied in fiscal year 2015 but not available until 2016.

**C. Capital Assets**

Capital asset activity for the year ended June 30, 2015, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,105,238	\$ -	\$ -	\$ 1,105,238
Construction in progress	-	610,904	-	610,904
Total capital assets, not being depreciated	<u>1,105,238</u>	<u>610,904</u>	<u>-</u>	<u>1,716,142</u>
Capital assets, being depreciated:				
Buildings and improvements	175,179,674	591,551	(5,000)	175,766,225
Vehicles	3,776,327	119,195	(56,146)	3,839,376
Equipment	3,269,024	162,668	(319,448)	3,112,244
Total capital assets being depreciated	<u>182,225,025</u>	<u>873,414</u>	<u>(380,594)</u>	<u>182,717,845</u>
Total capital assets - Cost	<u>183,330,263</u>	<u>1,484,318</u>	<u>(380,594)</u>	<u>184,433,987</u>
Less accumulated depreciation for:				
Buildings and improvements	(45,303,711)	(6,204,955)	2,867	(51,505,799)
Vehicles	(2,635,215)	(215,914)	56,146	(2,794,983)
Equipment	(2,010,001)	(295,477)	313,448	(1,992,030)
Total accumulated depreciation	<u>(49,948,927)</u>	<u>(6,716,346)</u>	<u>372,461</u>	<u>(56,292,812)</u>
<b>Governmental activities capital assets, net</b>	<u><u>\$ 133,381,336</u></u>	<u><u>\$ (5,232,028)</u></u>	<u><u>\$ (8,133)</u></u>	<u><u>\$ 128,141,175</u></u>

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**C. Capital Assets (continued)**

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

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Governmental activities:		
Direct instruction	\$ 375,211	\$ 5,867,142
Student activities	26,437	56,147
Support services	1,082,670	793,057
<b>Total - governmental activities</b>	<u><u>\$ 1,484,318</u></u>	<u><u>\$ 6,716,346</u></u>

**D. Interfund Transfers**

Transfers for fiscal year 2015 were as follows:

<u>Transfer In (Out)</u>	<u>Amount</u>	<u>Transfer Purpose</u>
General Fund	\$ (1,708,954)	To fund District projects and grants.
Capital Projects Fund	1,708,954	To help fund capital acquisitions
Total	<u><u>\$ -</u></u>	

**E. Operating Leases**

The District is committed under various leases for office equipment and modular classrooms. These leases are considered, for accounting purposes, to be operating leases, and therefore, the liability and the related assets have not been recorded in these financial statements. All operating leases are annually appropriable.

**F. Long-term Debt**

All general obligation bonds outstanding are serviced by the Bond Redemption Fund.

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

On November 22, 2005, the District issued General Obligation Bonds, Series 2005 in the amount of \$7,115,000. The issuance also included \$382,227 of supplemental interest coupons. Proceeds from the bonds were used to refund a portion of the General Obligation Bonds, Series 2001. The bonds are issued in denominations of \$5,000 and bear interest rates from 3.50% to 4.25% and are subject to early redemption on December 1, 2016. The District's debt matures in 2025.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**2. General Obligation Bonds, Series 2006**

On December 14, 2006, the District issued General Obligation Bonds, Series 2006 in the amount of \$51,000,000. The issuance also included \$7,034,744 of supplemental interest coupons. Proceeds from the bonds were used to finance the costs of new construction and upgrades to District buildings. The bonds are issued in denominations of \$5,000 and bear interest rates from 3.6% to 5.0% and are subject to early redemption on or after December 1, 2017. The District's debt matures in 2027. A portion of the 2006 General Obligation Bonds were redeemed via a refunding through the issuance of General Obligation Refunding Bonds, Series 2012, 2014 and 2015.

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

On January 30, 2007, the District issued General Obligation Bonds, Series 2007 in the amount of \$14,200,000. Proceeds from the bonds were used to finance the costs of new construction and upgrades to District buildings. The bonds are issued in denominations of \$5,000 and bear interest rates from 4.00% to 5.00% and are subject to early redemption on or after December 1, 2017. The District's debt matures in 2027. A portion of the 2007 General Obligation Bonds were redeemed via a refunding through the issuance of General Obligation Refunding Bonds, Series 2014 and 2015.

**4. General Obligation Bonds, Series 2009**

On January 28, 2009, the District issued General Obligation Bonds, Series 2009 in the amount of \$9,700,000. The issuance also included \$285,000 of supplemental interest coupons. Proceeds from the bonds were used to finance the acquisition, construction, installation and equipping of upgrades to District buildings. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 4.15% to 5.00% and are subject to early redemption on or after December 1, 2019. The District's debt matures in 2028.

**5. General Obligation Refunding Bonds, Series 2009B**

On December 29, 2009, the District issued General Obligation Refunding Bonds, Series 2009B in the amount of \$16,065,000. Net proceeds, after issuance costs, from the bonds were deposited with an escrow agent to be used to refund a portion of the General Obligation Refunding Bonds, Series 2001, 2002, and 2003. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 2.50% to 5.00% and are not subject to early redemption. The District's debt matures in 2021.

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

On July 29, 2010, the District issued General Obligation Refunding Bonds, Series 2010 in the amount of \$13,865,000. Net proceeds, after issuance costs, from the bonds were deposited with an escrow agent to be used to refund a portion of the General Obligation Refunding Bonds, Series 2003. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 2.00% to 4.00%. Certain bonds are subject to early redemption, without premium, at the option of the District. The District's debt matures in 2025.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**7. General Obligation Refunding Bonds, Series 2012**

On February 20, 2012, the District issued General Obligation Refunding Bonds, Series 2012 in the amount of \$17,195,000. Net proceeds, after issuance costs, from the bonds were deposited with an escrow agent to be used to refund a portion of the General Obligation Refunding Bonds, Series 2006. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 2.00% to 5.00%. Certain bonds are subject to early redemption, without premium, at the option of the District. The debt matures in 2024.

**8. General Obligation Refunding Bonds, Series 2013A&B**

On January 15, 2013, the District issued General Obligation Refunding Bonds, Series 2013A&B. The Series A bonds were issued in the amount of \$9,445,000. The Series B bonds were issued in the amount of \$11,360,000 and are taxable general obligation refunding bonds. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 2.00% to 3.05%. The bonds maturing on and before December 1, 2022 are not subject to early redemption prior to their respective maturity dates. The debt matures in 2027.

**9. General Obligation Refunding Bonds, Series 2014**

On February 26, 2014, the District issued General Obligation Refunding Bonds, Series 2014. The bonds were issued in the amount of \$8,925,000 and the proceeds were used to partially refund General Obligation Bonds, Series 2006 and 2007. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 1.5% to 3.5%. The bonds maturing on and before December 1, 2023 are not subject to early redemption prior to their respective maturity dates. The debt matures in 2023.

**10. General Obligation Refunding Bonds, Series 2015**

On February 11, 2015, the District issued General Obligation Refunding Bonds, Series 2014. The bonds were issued in the amount of \$8,820,000 and the proceeds were used to partially refund General Obligation Bonds, Series 2006 and 2007. The bonds are issued in denominations of \$5,000 and bear interest rates ranging from 1.5% to 4.0%. The bonds maturing on and before December 1, 2025 are not subject to early redemption prior to their respective maturity dates. The debt matures in 2027.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

**11. Defeasance of Debt**

As noted above, proceeds of the 2005, 2006, 2009, 2009B, 2010, 2012, 2014 and 2015 refunding bond issuances were used to purchase U.S. government securities to retire previous bond issues. Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The amount of the District's defeased debt is not readily determinable.

**12. Schedule of Future Payments**

The District's aggregate annual debt service requirements at June 30, 2015, are as follows:

<b>Fiscal Year Ending</b>	<b>Bonded Debt &amp; Int. Coupons</b>	
	<b>Total Principal</b>	<b>Total Interest</b>
2016	\$ 5,575,851	\$ 3,302,604
2017	5,705,000	3,091,695
2018	5,915,000	2,902,456
2019	6,115,000	2,746,492
2020	6,265,000	2,595,879
2021 - 2025	34,920,000	9,251,799
2026 - 2030	33,725,000	2,413,934
Total	<u>\$ 98,220,851</u>	<u>\$ 26,304,859</u>
Add: Unamortized bond premium	6,429,096	
Total debt	<u>\$104,649,947</u>	

**13. Changes in Long-term Debt**

The following is a summary of changes in long-term debt for the year ended June 30, 2015:

	<b>Balance July 1, 2014</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance June 30, 2015</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
General Obligation Bonds:					
Refunding Bonds, Series 2005	\$ 3,950,000	\$ -	\$ (680,000)	\$ 3,270,000	\$ 705,000
General Obligation Bonds, Series 2006	10,475,000	-	(6,550,000)	3,925,000	1,925,000
General Obligation Bonds, Series 2007	6,460,000	-	(4,550,000)	1,910,000	610,000
General Obligation Bonds, Series 2009	9,700,000	-	-	9,700,000	-
Supplemental Interest Coupons, Series 2009	73,126	-	(37,275)	35,851	35,851
Refunding Bonds, Series 2009B	12,850,000	-	(1,635,000)	11,215,000	1,675,000
Refunding Bonds, Series 2010	13,535,000	-	(65,000)	13,470,000	70,000
General Obligation Refunding Bonds, Series 2012	16,880,000	-	(75,000)	16,805,000	75,000
General Obligation Refunding Bonds, Series 2013	20,535,000	-	(195,000)	20,340,000	195,000
General Obligation Refunding Bonds, Series 2014	8,925,000	-	(195,000)	8,730,000	130,000
General Obligation Refunding Bonds, Series 2015	-	8,820,000	-	8,820,000	155,000
Capital leases & performance contract	134,806	-	(134,806)	-	-
Accrued compensated absences	1,062,940	1,340,491	(1,062,940)	1,340,491	1,340,491
<b>Total</b>	<u>\$104,580,872</u>	<u>\$ 10,160,491</u>	<u>\$ (15,180,021)</u>	<u>\$ 99,561,342</u>	<u>\$ 6,916,342</u>



**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**G. Debt Service Forward Delivery Agreement**

In 2005, the District signed a Debt Service Forward Delivery Agreement with JP Morgan Trust Company. The agreement provided for a one-time payment to the District for \$615,000. The agreement proceeds were utilized for the construction of District school buildings. The agreement effectively allows for the sale of a portion of District future investment income through July 1, 2025. Future pledged revenue amounts due under this agreement are as follows:

Fiscal Year Ending:	Total
2016	\$ 48,723
2017	48,723
2018	48,723
2019	48,723
2020	48,723
2021 - 2025	256,433
Total	<u>\$ 500,049</u>

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

At June 30, 2015, the District reported a liability of \$77,470,936 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the District proportion was 0.57%, as compared to its proportion of 0.57% measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,950,069. At June 30, 2015, 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	\$ -	\$ 5,785
Net difference between projected and actual earnings on pension plan investments	1,781,579	-
Changes in proportionate share of contributions	-	42,806
Difference between actual and reported contributions recognized	8,243	-
Contributions subsequent to the measurement date	2,154,534	-
Total	<u>\$ 3,944,356</u>	<u>\$ 48,591</u>

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

Contributions subsequent to the measurement date of December 31, 2014, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:		
2016	\$	430,451
2017		430,451
2018		434,935
2019		445,394
	\$	<u>1,741,231</u>

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

The actuarial assumptions used in the December 31, 2013 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.

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>10 Year Expected Geometric Real Rate of Return</b>
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
<b>Total</b>	<b>100.00%</b>	

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of net pension liability	102,152,506	77,470,936	56,812,043

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

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

**I. Fund Balances**

At June 30, 2015 fund balances were committed for the following purposes:

Capital projects	111,432
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At June 30, 2015 fund balances were assigned for the following purposes:

Capital projects	52,505
Food service	606,437
Pupil activities	351,177

**J. Deficit Net Position**

At June 30, 2015, the District had a deficit net position of \$17,569,371.

**IV. Other Information**

**A. Employee Benefits – Public Employees’ Retirement Association of Colorado (“COPERA”)**

**1. Defined Benefit Pension Plan**

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

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

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**IV. Other Information (continued)**

**A. Employee Benefits – COPERA (continued)**

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

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

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

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

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

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

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

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

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**IV. Other Information (continued)**

**A. Employee Benefits – COPERA (continued)**

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

The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate <sup>1</sup>	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	16.43%	17.33%

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 \$4,120,668 for the year ended June 30, 2015.

**2. Postemployment Healthcare Benefits**

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

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**IV. Other Information (continued)**

**A. Employee Benefits – COPERA (continued)**

**2. Postemployment Healthcare Benefits (continued)**

**Funding Policy.** The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended.

The District's contributions to HCTF for the years ending June 30, 2015, 2014 and 2013 were \$249,040, \$239,997, and \$232,709, respectively, equal to their required contributions for each year.

**3. Defined Contribution Pension Plan**

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

**Funding Policy.** Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. The 401(k) Plan member contributions from the District for the years ended June 30, 2015, 2014 and 2013 were \$187,444, \$184,330 and \$203,223, respectively.

**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**IV. Other Information (continued)**

**A. Employee Benefits – COPERA (continued)**

**4. Insurance**

All District employees covered by COBRA insurance may continue their health insurance due to a reduction in work hours or termination of employment (for reasons other than "gross misconduct") for up to 18 months after the occurrence of one of these events. Eligible dependents may continue coverage for up to 36 months. Employees who elect continued coverage must pay the District for premiums from the termination date of coverage and monthly thereafter. No cost to the District is recognized as employees reimburse 100% of their premium costs.

**B. Risk Management**

The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage.

**C. Contingencies**

**1. Legal Claims**

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2015.

**2. Federal Programs**

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2015.

**D. Jointly Governed Organization - BOCES**

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

The Board of the BOCES consists of one member of the board of education of each participating district. Each district has equal voting rights in the decisions of the BOCES.



**Garfield School District RE-2**  
**Notes to the Financial Statements**  
**June 30, 2015**  
**(Continued)**

**IV. Other Information (continued)**

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

The BOCES has issued its own audited financial statements for the year ended June 30, 2014, the latest available data. The following summary information is presented:

Assets	\$ 4,664,420
Liabilities	(1,534,418)
Net Position	<u>\$ 3,130,002</u>
Expenses	\$ (10,592,608)
Program Revenues	10,327,497
General Revenues	206,321
Change in Net Position	<u>(58,790)</u>
Net Position - Beginning	<u>3,188,792</u>
Net Position - Ending	<u>\$ 3,130,002</u>

For the year ended June 30, 2015 and 2014, the District made operating contributions of \$1,083,848 and \$930,297, respectively.

**E. Restatement of Net Position and Fund Balance**

In 2015, the District implemented Government Accounting Standards Board Statement No. 68, Accounting and Financial Reporting for Pensions (an Amendment of GASB No. 27), requires employers to recognize their long-term obligation for pension benefits as a liability and pension related deferred inflows and outflows on the Statement of Net Position. As such, the District's 2015 financial statements report a restatement of net position on the Statement of Activities for governmental activities for \$70,997,535, which was the amount of the District's long-term obligation and deferred inflows and outflows related to pension benefits at June 30, 2014.

The District previously reported food service activity in a proprietary fund. Beginning in fiscal year 2014-2015, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$741,611, which is equal to the net current assets and current liabilities previously reported in the proprietary fund. The aggregate restatement for Food Service added to the 2015 governmental activities beginning net position on the Statement of Activities was \$1,060,923.

Garfield School District RE-2

Required Supplementary Information



**Garfield School District No. Re-2**  
Rifle • Silt • New Castle, Colorado



*"Our vision is to encourage, nurture and challenge every student, every day."*

**Garfield School District RE-2**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Actual
REVENUES	Original	Final	Amounts		Amounts
Taxes:					
Property taxes	\$ 9,551,287	\$ 9,756,662	\$ 10,213,297	\$ 456,635	\$ 9,705,085
Specific ownership taxes	1,035,000	1,035,000	1,066,160	31,160	1,042,913
State income	27,176,522	27,650,683	27,215,848	(434,835)	25,557,083
Federal income	827,203	827,203	927,487	100,284	854,292
Investment income	20,000	20,000	15,992	(4,008)	14,843
Other	1,141,050	1,437,003	1,318,224	(118,779)	1,225,109
Total revenues	39,751,062	40,726,551	40,757,008	30,457	38,399,325
EXPENDITURES					
Current:					
Direct instruction	22,101,424	22,670,024	22,250,255	419,769	21,310,373
Indirect instruction	4,810,568	4,830,170	4,701,467	128,703	4,509,876
Transportation	1,588,902	1,579,143	1,460,941	118,202	1,461,500
Custodial and maintenance	5,071,612	5,078,484	5,051,048	27,436	4,903,247
Support services	2,496,377	2,349,405	2,637,848	(288,443)	2,512,135
General administration	3,395,113	3,392,902	3,404,121	(11,219)	3,289,861
Community service	27,000	27,000	27,094	(94)	14,000
Capital Outlay	-	-	10,609	(10,609)	-
Total expenditures	39,490,996	39,927,128	39,543,383	383,745	38,000,992
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	260,066	799,423	1,213,625	414,202	398,333
OTHER FINANCING (USES)					
Transfers (out)	(1,167,978)	(1,708,954)	(1,708,954)	-	(1,478,975)
Total other financing (uses)	(1,167,978)	(1,708,954)	(1,708,954)	-	(1,478,975)
NET CHANGE IN FUND BALANCES	\$ (907,912)	\$ (909,531)	(495,329)	\$ 414,202	(1,080,642)
FUNDS BALANCES, BEGINNING			12,587,633		13,668,275
FUND BALANCES, ENDING			\$ 12,092,304		\$ 12,587,633

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Designated Purpose Grants Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015			2014
	Budgeted Amounts		Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final		
<b>REVENUES</b>				
Federal income	\$ 877,854	\$ 1,181,914	\$ (280,059)	\$ 656,163
Other sources	241,170	735,170	(327,465)	383,363
Total revenues	1,119,024	1,917,084	(607,524)	1,039,526
<b>EXPENDITURES</b>				
Current:				
Direct instruction	676,067	676,067	303,923	348,881
Indirect instruction	425,853	729,913	15,174	495,791
General administration	17,104	17,104	(2,117)	27,938
Support services	-	-	-	18,064
Custodial and maintenance	-	25,000	-	25,023
Community service	-	-	(40)	1,196
Food Service operations	-	-	(4,438)	1,855
Capital outlay	-	469,000	295,022	120,778
Total expenditures	1,119,024	1,917,084	607,524	1,039,526
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	-
<b>FUND BALANCES, BEGINNING</b>			-	-
<b>FUND BALANCES, ENDING</b>			<u>\$ -</u>	<u>\$ -</u>

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

**Garfield School District RE-2**  
**Schedule of Employer's Proportionate Share of the Net Pension Liability**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.5716%	0.5721%
District's proportionate share of the net pension liability	77,470,936	72,966,025
District's covered-employee payroll	\$ 23,945,915	\$ 23,115,932
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	62.84%	64.07%

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

**Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2015:**

**Note 1. Changes of assumptions.**

No changes during the years presented above.

**Note 2. Changes of benefit terms.**

No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

**Garfield School District RE-2**  
**Schedule of District Contributions**  
**Colorado Public Employees' Retirement Association School Division Trust Fund**  
**Last 10 Fiscal Years \***

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 3,934,315	\$ 3,581,457
Contributions in relation to the contractually required contribution	<u>\$ (3,934,315)</u>	<u>\$ (3,581,457)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 23,945,915	\$ 23,115,932
Contributions as a percentage of covered-employee payroll	16.43%	15.49%

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

**Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability**  
**For the Year Ended June 30, 2015:**

**Note 1. Changes of assumptions.**

No changes during the years presented above.

**Note 2. Changes of benefit terms.**

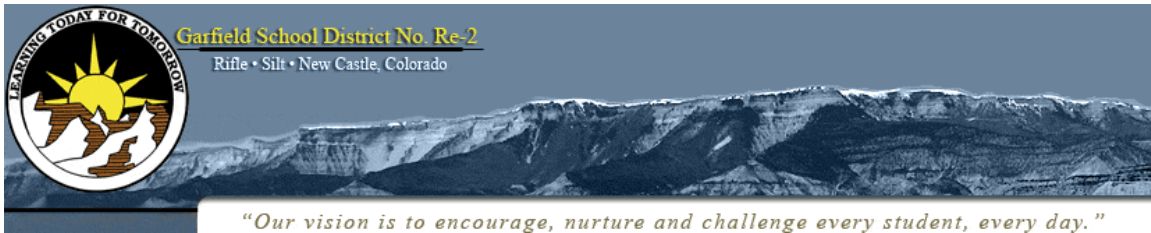
No changes during the years presented above.

**Note 3. Changes of size or composition of population covered by benefit terms.**

No changes during the years presented above.

## Garfield School District RE-2

### Supplementary Information



**GARFIELD SCHOOL DISTRICT RE-2**  
**Debt Service Fund**  
**Bond Redemption Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	<b>2015</b>				<b>2014</b>
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>	
	<b>Original</b>	<b>Final</b>	<b>Amounts</b>	<b>Final Budget- Positive (Negative)</b>	<b>Actual Amounts</b>
<b>REVENUES</b>					
Taxes:					
Property taxes	\$ 8,982,850	\$ 8,982,850	\$ 9,286,275	\$ 303,425	\$ 7,916,577
Interest Income	-	-	(254)	(254)	29,451
Total revenues	8,982,850	8,982,850	9,286,021	303,171	7,946,028
<b>EXPENDITURES</b>					
Debt service:					
Principal	5,322,275	5,322,275	5,322,275	-	5,030,825
Interest	3,640,575	3,640,575	3,507,019	133,556	3,840,887
Fiscal charges	20,000	138,636	142,344	(3,708)	144,384
Total expenditures	8,982,850	9,101,486	8,971,638	129,848	9,016,096
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER EXPENDITURES</b>	-	(118,636)	314,383	433,019	(1,070,068)
<b>OTHER FINANCING SOURCES (USES)</b>					
Bond proceeds	-	8,820,000	8,820,000	-	8,925,000
Premium on bonds	-	647,242	647,242	-	381,603
Payment to refunded bond escrow agent	-	(9,348,606)	(9,348,606)	-	(9,188,247)
Total other financing sources	-	118,636	118,636	-	118,356
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ -</u>	<u>\$ -</u>	433,019	<u>\$ 433,019</u>	(951,712)
<b>FUND BALANCES, BEGINNING</b>			11,642,944		12,594,656
<b>FUND BALANCES, ENDING</b>			<u>\$ 12,075,963</u>		<u>\$ 11,642,944</u>

The accompanying notes are integral part of these financial statements.



**GARFIELD SCHOOL DISTRICT RE-2**  
**Capital Projects Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final			
REVENUES					
Other revenue	\$ -	\$ -	\$ 3,960	\$ 3,960	\$ 11,545
Total revenues	-	-	3,960	3,960	11,545
EXPENDITURES					
Major renovations	448,500	1,080,531	1,151,599	(71,068)	301,677
Capital equipment	18,500	18,500	8,786	9,714	58,582
Vehicles	118,000	118,000	119,195	(1,195)	401,313
Other equipment / services	494,386	700,386	552,567	147,819	672,594
Principal retirement	186,748	186,748	134,805	51,943	181,252
Interest and fiscal charges	5,730	5,730	5,729	1	11,225
Total expenditures	1,271,864	2,109,895	1,972,681	137,214	1,626,643
EXCESS (DEFICIENCY) OF REVENUES (OVER) EXPENDITURES	(1,271,864)	(2,109,895)	(1,968,721)	141,174	(1,615,098)
OTHER FINANCING SOURCES					
Debt proceeds	103,886	103,886	-	(103,886)	10,740
Transfers in (out)	1,167,978	1,708,954	1,708,954	-	1,478,976
Total other financing sources	1,271,864	1,812,840	1,708,954	(103,886)	1,489,716
NET CHANGE IN FUND BALANCES	\$ -	\$ (297,055)	(259,767)	\$ 37,288	(125,382)
FUND BALANCES, BEGINNING			506,704		632,086
FUND BALANCES, ENDING			\$ 246,937		\$ 506,704

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Combining Balance Sheet**  
**Non-Major Governmental Funds**  
**June 30, 2015**

	<b>Pupil Activity Fund</b>	<b>Food Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 386,224	\$ 674,420	\$ 1,060,644
Inventories	<u>-</u>	<u>30,069</u>	<u>30,069</u>
Total assets	<u><u>\$ 386,224</u></u>	<u><u>\$ 704,489</u></u>	<u><u>\$ 1,090,713</u></u>
<b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$ 12,047	\$ -	\$ 12,047
Accrued compensation	<u>-</u>	<u>29,983</u>	<u>29,983</u>
Total liabilities	<u>12,047</u>	<u>29,983</u>	<u>42,030</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventory	\$ -	\$ 30,069	\$ 30,069
Restricted:			
TABOR	23,000	38,000	61,000
Assigned	<u>351,177</u>	<u>606,437</u>	<u>957,614</u>
Total fund balances	<u>374,177</u>	<u>674,506</u>	<u>1,048,683</u>
Total liabilities, deferred inflows, and fund balances	<u><u>\$ 386,224</u></u>	<u><u>\$ 704,489</u></u>	<u><u>\$ 1,090,713</u></u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**Non-Major Governmental Funds**  
**For the Year Ended June 30, 2015**

	<b>Pupil Activity Fund</b>	<b>Food Service Fund</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
State income	\$ -	\$ 27,762	\$ 27,762
Federal income	-	881,848	881,848
Investment earnings	-	34	34
Other sources	652,169	267,048	919,217
	<u>652,169</u>	<u>267,048</u>	<u>919,217</u>
Total revenues	<u>652,169</u>	<u>1,176,692</u>	<u>1,828,861</u>
<b>EXPENDITURES</b>			
Current:			
Indirect instruction	455	-	455
Support services	2,718	-	2,718
Food service operations	-	1,243,797	1,243,797
Student activities	687,611	-	687,611
	<u>687,611</u>	<u>-</u>	<u>687,611</u>
Total expenditures	<u>690,784</u>	<u>1,243,797</u>	<u>1,934,581</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(38,615)</u>	<u>(67,105)</u>	<u>(105,720)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES</b>			
<b>NET CHANGE IN FUND BALANCES</b>	(38,615)	(67,105)	(105,720)
<b>FUND BALANCES, BEGINNING (Restated)</b>	<u>412,792</u>	<u>741,611</u>	<u>1,154,403</u>
<b>FUND BALANCES, ENDING</b>	<u><u>\$ 374,177</u></u>	<u><u>\$ 674,506</u></u>	<u><u>\$ 1,048,683</u></u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Pupil Activity Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015			2014
	Budgeted Amounts		Variance with Final Budget- Positive (Negative)	Actual Amounts
	Original	Final		
<b>REVENUES</b>				
Other sources	\$ 752,306	\$ 772,306	\$ (120,137)	\$ 705,192
Total revenues	752,306	772,306	(120,137)	705,192
<b>EXPENDITURES</b>				
Indirect instruction	1,000	21,000	455	1,140
Support services	2,100	2,100	2,718	2,855
Student activities	723,551	723,551	687,611	740,008
Total expenditures	726,651	746,651	690,784	744,003
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ 25,655</u>	<u>\$ 25,655</u>	<u>(38,615)</u>	<u>(38,811)</u>
<b>FUND BALANCES, BEGINNING</b>			412,792	451,603
<b>FUND BALANCES, ENDING</b>			<u>\$ 374,177</u>	<u>\$ 412,792</u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Food Services Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund**  
**Balances - Budget and Actual (GAAP Basis)**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015				2014
	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)	Restated Actual Amounts
	Original	Final	Amounts		
<b>REVENUES</b>					
Food and Ala carte sales	\$ 263,761	\$ 318,761	\$ 267,048	\$ (51,713)	\$ 266,984
Federal aid:					
Federal government meal reimbursement	805,014	820,014	835,944	15,930	827,680
USDA Commodity contribution	71,621	81,621	45,904	(35,717)	69,558
State reimbursement	22,206	22,206	27,762	5,556	22,345
Interest income	83	83	34	(49)	80
Total revenues	<u>1,162,685</u>	<u>1,242,685</u>	<u>1,176,692</u>	<u>(65,993)</u>	<u>1,186,647</u>
<b>EXPENDITURES</b>					
Salaries and employee benefits	757,296	757,296	753,249	4,047	732,328
Purchased services	1,630	1,630	1,104	526	2,089
Supplies	41,909	41,909	28,374	13,535	29,269
Food costs:					
Purchased food	391,302	461,302	419,779	41,523	402,470
Donated commodities	71,621	81,621	45,904	35,717	69,558
Internal catering and other	(5,390)	(5,390)	(4,613)	(777)	(8,240)
Property	1,250	1,250	-	1,250	13,695
Total expenditures	<u>1,259,618</u>	<u>1,339,618</u>	<u>1,243,797</u>	<u>95,821</u>	<u>1,241,169</u>
<b>OTHER FINANCING (USES)</b>					
Special / Extraordinary items	-	-	-	-	13,695
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,695</u>
<b>CHANGE IN NET POSITION</b>	<u>(96,933)</u>	<u>(96,933)</u>	(67,105)	<u>29,828</u>	(40,827)
<b>TOTAL NET POSITION, BEGINNING (Restated)</b>			<u>741,611</u>	(29,828)	<u>782,438</u>
<b>TOTAL NET POSITION, ENDING</b>			<u><u>674,506</u></u>		<u><u>741,611</u></u>

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

**GARFIELD SCHOOL DISTRICT RE-2**  
**Schedule of Revenues, Expenditures, and Changes in Fiduciary**  
**Assets and Liabilities - Budget and Actual (GAAP Basis)**  
**Pupil Activity Agency Fund**  
**For the Year Ended June 30, 2015**  
**(With Comparative Actual Amounts for 2014)**

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget-Positive (Negative)	Actual Amounts
	Original	Final			
ADDITIONS					
Programs	\$ 112,250	\$ 132,250	\$ 109,021	\$ (23,229)	\$ 110,909
Total additions	112,250	132,250	109,021	(23,229)	110,909
DEDUCTIONS					
Programs	107,580	127,580	113,872	13,708	119,618
Total deductions	107,580	127,580	113,872	13,708	119,618
CHANGE IN FIDUCIARY ASSETS AND LIABILITIES	\$ 4,670	\$ 4,670	(4,851)	\$ (9,521)	(8,709)
DUE TO STUDENT ACTIVITIES, BEGINNING			45,967		54,676
DUE TO STUDENT ACTIVITIES, ENDING			\$ 41,116		\$ 45,967

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



**Colorado Department of Education**  
**Auditors Integrity Report**  
District: 1195 - GARFIELD RE-2  
Fiscal Year 2014-15  
Colorado School District/BOCES

Page: 1

**Revenues, Expenditures, & Fund Balance by Fund**

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>	<b>+</b>		<b>-</b>	<b>=</b>
10 General Fund	12,587,632	39,048,054	39,543,383	12,092,303
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>12,587,632</b>	<b>39,048,054</b>	<b>39,543,383</b>	<b>12,092,303</b>
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	741,611	1,176,692	1,243,797	674,505
22 Govt Designated-Purpose Grants Fund	0	1,309,560	1,309,560	0
23 Pupil Activity Special Revenue Fund	412,793	652,169	690,784	374,179
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	11,642,945	18,753,263	18,320,246	12,075,962
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	506,703	1,712,914	1,972,680	246,937
<b>Totals</b>	<b>25,891,685</b>	<b>62,652,652</b>	<b>63,080,451</b>	<b>25,463,885</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	45,967	109,021	113,872	41,116
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>45,967</b>	<b>109,021</b>	<b>113,872</b>	<b>41,116</b>

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

Garfield School District RE-2

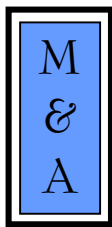
Single Audit Reports and Schedules



**Garfield School District No. Re-2**  
Rifle • Silt • New Castle, Colorado

*"Our vision is to encourage, nurture and challenge every student, every day."*





# McMAHAN AND ASSOCIATES, L.L.C.

*Certified Public Accountants and Consultants*

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

**To the Board of Education  
Garfield School District RE-2  
Rifle, Colorado**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield School District RE-2 (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 16, 2015.

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

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

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

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

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

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

*Member: American Institute of Certified Public Accountants*

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MICHAEL N. JENKINS, CA, CPA, CGMA  
DANIEL R. CUDAHY, CPA, CGMA

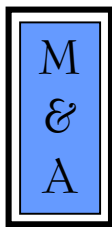
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FRISCO: (970) 668-3481

**INDEPENDENT AUDITOR'S REPORT  
To the Board of Education  
Garfield School District RE-2  
Rifle, Colorado**

***Purpose of this Report***

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

**McMahan and Associates, L.L.C.  
November 16, 2015**



# McMAHAN AND ASSOCIATES, L.L.C.

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**To the Board of Education  
Garfield School District RE-2  
Rifle, Colorado**

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

We have audited the compliance of the Garfield School District RE-2 (the "District") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

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

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

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based in our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

*Member: American Institute of Certified Public Accountants*

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**INDEPENDENT AUDITOR'S REPORT**  
**To the Board of Education**  
**Garfield School District RE-2**  
**Rifle, Colorado**

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

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

***Purpose of this Report***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based in the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

**McMahan and Associates, L.L.C.**  
**November 16, 2015**

**Garfield School District RE-2**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

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

*Financial Statements*

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

*Federal Awards*

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133	None noted
Major programs -	
School Breakfast Program	CFDA# 10.553
Food Distribution	CFDA# 10.555
National School Lunch Program	CFDA# 10.555
Summer Food Service Program for Children	CFDA# 10.559
Dollar threshold used to identify Type A from Type B programs	\$300,000
Identified as low-risk auditee	Yes

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

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

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

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

**Garfield School District RE-2**  
**SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June 30, 2015**

**Note:** There were no findings for the fiscal year ended June 30, 2014

**Garfield School District RE-2**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2015**

<b>Program Title</b>	<b>Federal CFDA Number</b>	<b>Grant Project Code</b>	<b>Major Program (Yes/No)</b>	<b>Expenditures</b>
<b>Department of Education:</b>				
<b>Passed through Colorado Department of Education:</b>				
Title I, Part A - Improving Basic Programs Operated by Schools	84.010	4010	No	542,005
Title I, Part G - Advanced Placement for Disadvantaged Students	84.330	5330	No	1,530
Title II, Part A - Teach and Principal Training and Recruiting	84.367	4367	No	123,399
Title III, Part A - English Language Acquisition	84.365	4365	No	60,082
21st Century After School Learning Program	84.287	5287	No	75,537
Race to the Top - Early Childhood Readiness	84.412	5412	No	3,831
No Child Left Behind - Math and Science	84.366	5366	No	87,442
<b>Passed through Mountain Board of Cooperative Education Services (BOCES):</b>				
Child Find	84.009			
<b>Passed through the Colorado Community College System (CCCS):</b>				
Carl Perkins	84.048	4048	No	8,028
<b>Total Department of Education</b>				<u>901,854</u>
<b>Department of Agriculture:</b>				
<b>Passed through Colorado Department of Education:</b>				
School Breakfast Program	10.553	4553	Yes	215,971 A
National School Lunch Program	10.555	4555	Yes	603,354 A
Summer Food Service Program for Children	10.559	4559	Yes	16,619 A
<b>Passed through Colorado Department of Human Services:</b>				
Food Distribution, Commodities	10.555	4555	Yes	45,904 A
<b>Passed through Garfield County Colorado</b>				
Forest reserve revenue	10.665	7665	No	201,641
<b>Total Department of Agriculture</b>				<u>1,083,489</u>
<b>Total Expenditures</b>				<u>\$ 1,985,343</u>

**Additional Information for Clusters:**

A Child Nutrition Cluster \$ 835,944

**Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2015**

**Note 1. Basis of Presentation:**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Garfield School District RE-2 and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

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

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

**Note 3. Sub recipients:**

The District had no sub-recipients as of June 30, 2015