Garfield School District RE-2

Financial Report

June 30, 2016

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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, 2016, and the related noted 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 include 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 of 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.

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Opinions

In our opinion, the financial statements referred to above presently fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield School District RE-2, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

The budgetary comparison schedules in Section E are not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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 combining fund financial statements, individual budgetary schedules in Section F, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures listed in the accompanying table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements, the individual budgetary schedules, and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the finance 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.

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards,* and is not a required part of the District's financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying account and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally 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 December 15, 2016 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control over financial reporting and on compliance.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 15, 2016

Garfield School District RE-2

Management's Discussion and Analysis

Garfield School District No. Re-2

Management's Discussion and Analysis

June 30, 2016

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, 2016.

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 category that is reported in the District-wide financial statements is as follows:

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

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**.

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 – D26** 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, 2015 and June 30, 2016.

	Governmental Activities	
	2015-16	**2014-15**
Assets:		
Current and other assets	$ 28,955,053	30,154,486
Capital assets, net	122,946,559	128,141,175
Total Assets	151,901,612	158,295,661
Deferred Outflows of Resources:		
Charge on refunding	8,675,397	8,611,322
Pension related deferred outflow	11,482,065	3,944,356
Total Deferred Outflows	20,157,462	12,555,678
Liabilities:		
Current liabilities	5,362,687	6,251,236
Non-current liabilities:		
Bonded debt	99,334,493	104,649,947
Net Pension Liability	87,866,198	77,470,936
Total Liabilities	192,563,378	188,372,119
Deferred Inflows of Resources:		
Pension related deferred inflows	1,272,314	48,591
Total Deferred Inflows	1,272,314	48,591
Net Position:		
Invested in capital assets, net of related debt	23,612,066	(54,362,129)
Restricted for other purposes	13,671,434	14,153,505
Unrestricted	(59,060,118)	22,639,253
Total Net Position	$ (21,776,618)	(17,569,371)

Of the District's total assets in 2015-16, 81% are capital assets (e.g.: land, buildings, and equipment). The percentage of capital assets in relation to total assets decreased from 75% in 2014-15, because there has been little additional construction since the 2006 Bond Construction was completed in 2010. The District's depreciation of assets and asset deletions exceeded additions to capital assets by $5,194,616 for 2015-16. 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.

Since the 2014-15 financial statements, it was required to include the Net Pension Liability on the financial statements, which is the reason for the negative Total Net Position shown above. The Net Pension Liability takes the total assets of PERA (Public Employee Retirement Association), plus anticipated rates of return, less the anticipated amount that will be owed in the future for pension payments. The total PERA pension liability, net of Pension related deferred outflow and inflow, totals $77,656,447. This represents a ($4,081,276) increase in PERA pension liability and reduction to Total Net Position compared to 2014-15.

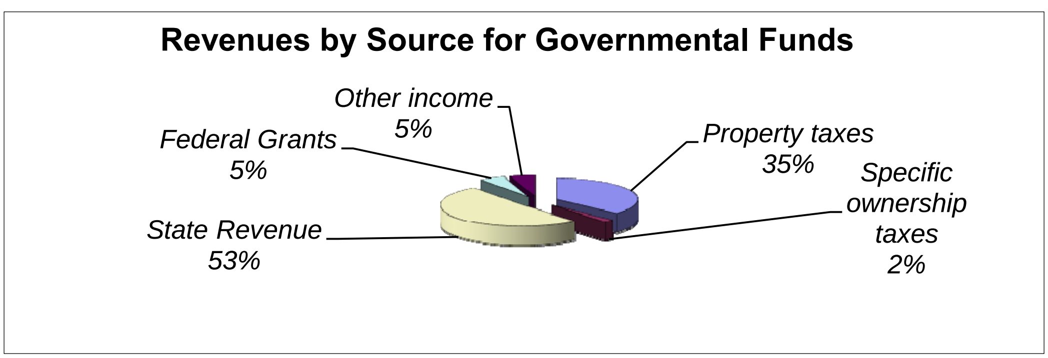
The Net Position Restricted for Other Purposes includes the net position of the Bond Redemption Fund, and TABOR emergency reserves in the General, Capital Project, Pupil Activity, and Food Service Funds.

District-wide Financial Analysis (continued)

FINANCIAL STATEMENTS FOR 2014-15 and 2015-16

	Governmental Activities		
	2015-16	**2014-15**	**Difference**
Revenues:			
Program revenues			
Charges for services	$ 1,035,627	1,019,940	15,687
Operating grants, contributions	6,126,235	5,568,371	557,864
Capital grants, contributions	-	-	-
General revenues			
Property taxes	19,156,757	19,692,478	(535,721)
Specific ownership taxes	1,005,048	1,066,160	(61,112)
State revenue	27,364,021	26,010,699	1,353,322
Investment earnings	45,536	23,677	21,859
Other	(28,930)	(3,236)	(25,694)
Total revenues	**54,704,294**	**53,378,089**	**1,326,205**
Expenses:			
Instructional programs	32,213,291	30,388,162	1,825,129
Supporting services	21,423,521	20,426,607	996,914
Student activities	682,535	701,240	(18,705)
Food services	1,322,635	1,301,729	20,906
Interest on long-term debt	3,269,559	3,620,896	(351,337)
Total Expenses	**58,911,541**	**56,438,634**	**2,472,907**
Change in net position	***(4,207,247)***	***(3,060,545)***	***(1,146,702)***
Net position - July 1	***(17,569,371)***	***(14,508,826)***	
Net position - June 30	***$ (21,776,618)***	***(17,569,371)***	

Governmental Activities: Net position may serve as an indicator of the District's financial position over time. The District's total net position decreased by ($4,207,247) during fiscal year 2015-16, which is a continuing trend from 2014-15, when the net position decreased by ($3,060,545). The increase in PERA pension liability/expenses totaling $4,081,276 is the main reason for the decline in total Net position for 2015-16. The additional PERA pension liability is split amongst the above expenses based upon the percentage of total salaries in each category.

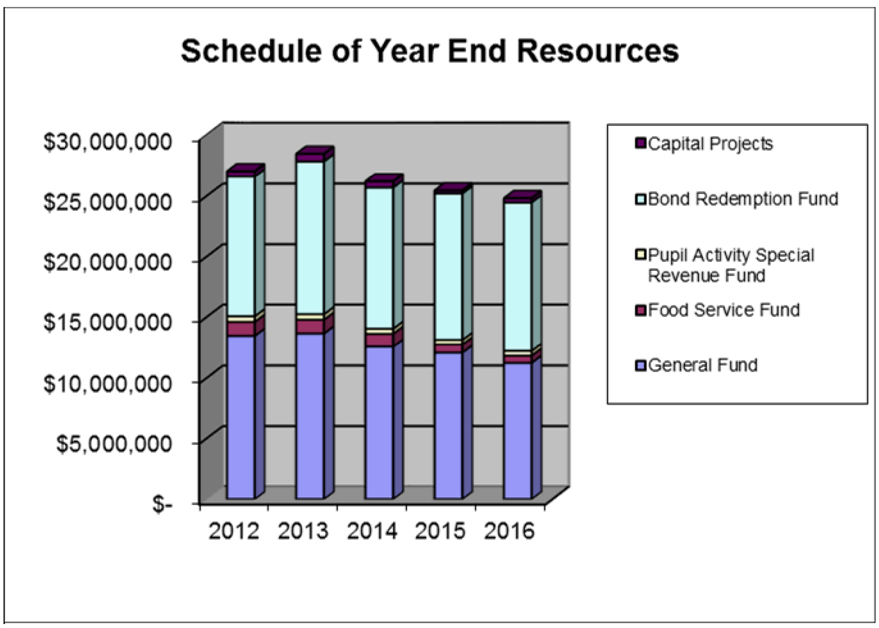


Financial Analysis of the District's Funds

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 $24,825,161, a decrease of ($638,725) compared to the prior year ending fund balances. The bond redemption fund realized a total fund balance increase of $171,472, due to additional tax collections plus the benefits of a mid-term bond refunding in the form of reduced interest costs. The General Fund incurred a decrease totaling ($843,944), which is less than the budgeted decrease of ($1,299,968). The reason for the lower use of fund balance for the General Fund was due to non-salary expenditures that were carried over into 2016-17, coupled with variances in salary and non-salary expenditures. The Capital Projects Fund showed an increased fund balance totaling $99,144, due to capital projects that were approved in 2015-16, but were expended during 2016-17. The Food Service Fund incurred a ($81,248) operating loss due to a 4-year trend of lower participation in student lunches. The following graph provides a view of the District's ending fund balances for the last five fiscal years:



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.

<u>*Budget vs. Actual Results, General Fund:*</u>

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 ($843,943). This is a $456,024 favorable variance compared to budget.

The 2015-16 ending fund balance totals $11,248,361. The original 2016-17 budget has a reduction in fund balance totaling ($1,226,918).

The $456,024 bottom-line budget variance is due to two contributing factors: 1. decrease in revenues totaling ($311,426), and 2. favorable expenditure variances totaling $767,449. The major variances are summarized below by revenues, expenditures, and fund transfers:

- Decreased revenues of ($311,426), which is due to:
  - ($299,075) in revenues from grants that was budgeted but not expended in 2015-16 and carried over to 2016-17;
  - A net of ($12,351) in other unfavorable revenues.

- A favorable budget vs. actual expenditure variance of $767,449, including:

  - $299,075 in expenses from grants that were budgeted but not expended in 2015-16 and carried over to 2016-17;
  - $149,190 in non-salary expenses carried over to be spent in 2016-17;
  - A $153,488 favorable salary and benefit variance, mostly due to contract variances;
  - A favorable non-salary variance totaling $165,696.

The District monitors variances that occur during the year, and includes a projection of year-end revenues and expenditures in the annual budget. All 2015-16 revenue and expenditure variances have been evaluated to determine whether they need to be included in the 2016-17 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 $122,946,559 as of June 30, 2016. 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 ($5,194,616) for fiscal year 2015-16 due to depreciation costs and capital asset deletions 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 Pages **D12 – D13** of this report.

Non-Current Liabilities: As of the end of the current fiscal year, the District's non-current liabilities totaled $187,200,691, representing an increase of $5,079,808. This difference in long-term liabilities is due to the impact of including the Net Pension Liability totaling an increase of $10,395,262, net of reductions in bonded debt totaling ($5,315,454).

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, 2016 is $245,830,948, 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 **D13 – D21** 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:

Total Program Funding = local property taxes + general specific ownership taxes + 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 $7,072 per funded pupil in fiscal year 2015-16 with a funded pupil count of 4,700. SFA funding comes from general fund property taxes, specific ownership taxes, and state equalization. The District received 82% of SFA funding from the state and 18% 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 between 2009-10 and 2012-13, 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 2015-16 totals $4.5 million for Garfield Re-2. Per student funding increased for 2015-16, and an additional increase has been realized for 2016-17. 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 2017-18 funding shows an increase to the negative factor, which does not allow school districts to keep up with inflationary growth in expenses.

Student Count and Funding by Year

	Student Count, Excl. On-line	*Per Student Funding*
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
2015-16	4,700	$ 7,072

The District's total program per pupil funding increased from $6,809 to $7,072 for fiscal years 2014-15 and 2015-16 respectively, representing a 3.86% increase between years. Despite this increase, the state stabilization factor, also known as the "negative factor", has still reduced Amendment 23 funding by (12%), including the inflationary adjustments required by Amendment 23.

The District's funded pupil count increased from 4,663 to 4,700 for 2014-15 and 2015-16 respectively, representing a .8% 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 $45 per student, or about .6% 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 2015-16 totaled $11,248,359. 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 2016-17 original budget, the District's net loss totals ($1,226,918), 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 $11.2 million currently, and we are anticipating to spend an additional $1 million in fund balance per year. Within the next two to three years from 2016-17, 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, 2016

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 27,804,424
Accounts and taxes receivable	542,660
Due from other governments	555,621
Prepaid expenses	29,949
Inventory	22,399
Total current assets	28,955,053
Capital assets:	
Land	1,105,238
Construction in progress	225,285
Buildings and improvements	177,208,770
Vehicles	4,053,330
Equipment	3,173,073
Less: accumulated depreciation	(62,819,137)
Net capital assets	122,946,559
Total assets	151,901,612
DEFERRED OUTFLOWS OF RESOURCES:	
Charge on refunding	8,675,397
Pension related deferred outflow	11,482,065
Total deferred outflows of resources	20,157,462
LIABILITIES	
Current liabilities:	
Accounts and other payables	991,167
Accrued salaries and benefits	2,325,799
Accrued interest	478,668
Compensated absences	1,065,084
Unearned revenue	501,969
Total current liabilities	5,362,687
Noncurrent liabilities:	
Bonded debt and capital leases:	
Due within one year	5,805,000
Due in more than one year	93,529,493
Net Pension Liability	87,866,198
Total noncurrent liabilities	187,200,691
Total liabilities	192,563,378
DEFERRED INFLOWS OF RESOURCES:	
Pension related deferred inflow	1,272,314
Total deferred inflows of resources	1,272,314
NET POSITION	
Net investment in capital assets	23,612,066
Restricted for:	
TABOR	1,424,000
Debt service	12,247,434
Unrestricted	(59,674,224)
Total net position	$ (21,776,618)

The notes are an integral part to these financial statements.

GARFIELD SCHOOL DISTRICT RE-2
Statement of Activities
For the Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Change in Net Position: Total Governmental Activities
Governmental Activities:					
Direct instruction	$ 32,213,291	$ 238,634	$ 2,067,266	$ -	$ (29,907,391)
Indirect instruction	6,288,473	-	-	-	(6,288,473)
Transportation	1,743,829	-	305,348	-	(1,438,481)
Custodial and maintenance	5,546,188	-	-	-	(5,546,188)
Support services	3,892,480	-	-	-	(3,892,480)
General administration	3,936,883	-	-	-	(3,936,883)
Community service	15,668	-	-	-	(15,668)
Student activities	682,535	540,681	122,443	-	(19,411)
Food service	1,322,635	256,312	902,580	-	(163,743)
Interest	3,269,559	-	-	-	(3,269,559)
Total	$ 58,911,541	$ 1,035,627	$ 3,397,637	$ -	(54,478,277)

General revenues:	
Taxes:	
Local property taxes - levied for general operations	10,173,442
Local property taxes - levied for debt service	8,983,315
Specific ownership taxes	1,005,048
State revenue	27,364,021
Grants and contributions not restricted to specific programs	2,728,598
Interest and investment earnings	45,536
Gain (loss) on disposal of assets	(28,930)
Total general revenues and transfers	50,271,030
Change in net position	(4,207,247)
Net position, beginning	(17,569,371)
Net position, ending	$ (21,776,618)

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

GARFIELD SCHOOL DISTRICT RE-2

Balance Sheet

Governmental Funds

June 30, 2016

ASSETS AND OTHER DEBITS	**General Fund**	**Bond Redemption Fund**	**Designated Purpose Grants Fund**	**Capital Projects Fund**	**Other Governmental Funds**	**Total Governmental Funds**
Assets:						
Cash and cash equivalents	$ 14,091,997	$ 12,233,858	$ (69,362)	$ 614,944	$ 932,987	$ 27,804,424
Accounts and taxes receivable	451,497	43,383	-	-	-	494,880
Due from other governments	245,164	-	266,962	-	91,276	603,402
Prepaid expenses	29,949	-	-	-	-	29,949
Inventories	-	-	-	-	22,399	22,399
Total assets and other debits	$ 14,818,607	$ 12,277,241	$ 197,600	$ 614,944	$ 1,046,662	$ 28,955,054
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES						
Liabilities:						
Accounts and other current payables	$ 637,465	$ -	$ 6,239	$ 268,863	$ 25,080	$ 937,647
Accrued compensation	2,232,286	-	58,225	-	34,335	2,324,846
Payroll withholdings and deductions	53,517	-	953	-	3	54,473
Unearned revenue	613,470	-	132,183	-	-	745,653
Total liabilities	3,536,738	-	197,600	268,863	59,418	4,062,619
Deferred inflows of resources:						
Unavailable property taxes	33,510	29,807	-	-	3,957	67,274
Fund balances:						
Nonspendable:						
Prepaid expenses	29,949	-	-	-	-	29,949
Inventory	-	-	-	-	22,399	22,399
Restricted:						
TABOR	1,300,000	-	-	63,000	61,000	1,424,000
Debt service	-	12,247,434	-	-	-	12,247,434
Committed	-	-	-	210,576	-	210,576
Assigned	-	-	-	72,505	899,888	972,393
Unassigned	9,918,410	-	-	-	-	9,918,410
Total fund balances	11,248,359	12,247,434	-	346,081	983,287	24,825,161
Total liabilities, deferred inflows, and fund balanc	$ 14,818,607	$ 12,277,241	$ 197,600	$ 614,944	$ 1,046,662	$ 28,955,054

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, 2016

Governmental Funds Total Fund Balance		$	24,825,161
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
Capital assets used in governmental activities are not considered current financial resources and, therefore, are not reported in the governmental funds:			
Capital assets	185,765,695		
Accumulated depreciation	(62,819,137)		122,946,558
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			8,675,397
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	(92,365,000)		
Accrued compensated absences	(1,065,084)		
Net pension liability	(87,866,198)		
Premiums and discounts on bonded debt	(6,969,493)		
Accrued interest	(478,668)		(188,744,443)
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	11,482,065		
Unamortized pension-related deferred inflows	(1,272,314)		10,209,751
Governmental Activities Net Position		$	(21,776,618)

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, 2016

	General Fund	Bond Redemption Fund	Designated Purpose Grants Fund	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Property taxes	$ 10,173,442	$ 8,983,315	$ -	$ -	$ -	$ 19,156,757
Specific ownership taxes	1,005,048	-	-	-	-	1,005,048
State income	28,926,524	-	-	-	28,201	28,954,725
Federal income	905,411	-	973,323	-	870,114	2,748,848
Investment Income	38,063	(754)	-	-	2,615	39,924
Other	1,137,191	-	745,217	18,200	923,701	2,824,309
Total revenues	42,185,679	8,982,561	1,718,540	18,200	1,824,631	54,729,611
EXPENDITURES						
Current:						
Direct instruction	23,265,727	-	363,520	38,563	-	23,667,810
Indirect instruction	5,078,305	-	806,745	-	-	5,885,050
Transportation	1,600,094	-	-	-	-	1,600,094
Custodial and maintenance	5,218,847	-	-	6,948	-	5,225,795
Support services	2,871,820	-	-	409,629	3,012	3,284,461
General administration	3,439,281	-	-	-	-	3,439,281
Community service	15,000	-	2,528	-	-	17,528
Student activities	-	-	-	-	644,261	644,261
Food service	-	-	720	-	1,242,755	1,243,475
Debt service:						
Principal	-	5,575,851	-	54,416	-	5,630,267
Interest	-	3,237,402	-	-	-	3,237,402
Other	-	115,179	-	-	-	115,179
Capital outlay	-	-	545,027	950,049	-	1,495,076
Total expenditures	41,489,074	8,928,432	1,718,540	1,459,605	1,890,028	55,485,679
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	696,605	54,129	-	(1,441,405)	(65,397)	(756,068)
OTHER FINANCING SOURCES (USES)						
Debt proceeds	-	8,900,000	-	-	-	8,900,000
Premium on bonds	-	1,076,512	-	-	-	1,076,512
Payment to refunded bond escrow agent	-	(9,859,169)	-	-	-	(9,859,169)
Transfers in (out)	(1,540,549)	-	-	1,540,549	-	-
Total other financing sources (uses)	(1,540,549)	117,343	-	1,540,549	-	117,343
NET CHANGE IN FUND BALANCES	(843,944)	171,472	-	99,144	(65,397)	(638,725)
FUND BALANCES, BEGINNING	12,092,303	12,075,962	-	246,937	1,048,684	25,463,886
FUND BALANCES, ENDING	$ 11,248,359	$ 12,247,434	$ -	$ 346,081	$ 983,287	$ 24,825,161

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, 2016

Governmental Funds Change in Fund Balances		$	(638,725)
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.			1,567,878
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.			15,435,017
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.			5,617
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	(8,900,000)		
Bond premium proceeds	(1,076,512)		
			(9,976,512)
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.			275,407
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.			(32,157)
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.			(30,933)
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.			(4,081,277)
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.			(6,731,562)
Governmental Activities Change in Net Position		$	(4,207,247)

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, 2016

ASSETS		
Cash and cash equivalents	$	39,592
Total assets	$	39,592
LIABILITIES		
Accounts payable	$	252
Due to student activities		39,340
Total liabilities	$	39,592

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

Garfield School District RE-2

Notes to the Financial Statements

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:

Elementary Schools	**Middle Schools**	**High School**
Wamsley Elementary	Riverside Middle School	Rifle High School
Kathryn Senor	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.

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.

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.

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.

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:

Assets	Years
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.

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.

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.

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.

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 2016.

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.

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 $1,424,000 of its June 30, 2016 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.

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, 2016, are as follows:

			Maturities	
Type:	Standard & Poors Rating	Balance	Less Than One Year	Less Than Five Years
Deposits:				
Petty cash	Not rated	$ 7,708	$ 7,708	$ -
Checking accounts	Not rated	951,719	951,719	-
Investments:				
Investment pools	AAAm	14,651,416	14,651,416	-
Federal Home Loan Bank	AA+	1,347,840	1,347,840	-
Cash with fiscal agent	Not rated	10,885,333	10,885,333	-
		$ 27,844,016	$ 27,844,016	$ -

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, 2016 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.

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	$ 129,466	$ 43,383	$ -
Accounts	322,031	-	47,781
Intergovernmental	245,164	-	219,181
Gross receivables	696,661	43,383	266,962
Less: allowance for uncollectible	-	-	-
Net Receivables	$ 696,661	$ 43,383	$ 266,962

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 2016 but not available until 2017.

C. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 1,105,238	$ -	$ -	$ 1,105,238
Construction in progress	610,904	1,019,370	(1,404,990)	225,284
Total capital assets, not being depreciated	1,716,142	1,019,370	(1,404,990)	1,330,522
Capital assets, being depreciated:				
Buildings and improvements	175,766,225	1,614,564	(172,020)	177,208,769
Vehicles	3,839,376	271,604	(57,650)	4,053,330
Equipment	3,112,244	67,329	(6,500)	3,173,073
Total capital assets being depreciated	182,717,845	1,953,497	(236,170)	184,435,172
Total capital assets - Cost	184,433,987	2,972,867	(1,641,160)	185,765,694
Less accumulated depreciation for:				
Buildings and improvements	(51,505,799)	(6,234,226)	143,795	(57,596,230)
Vehicles	(2,794,983)	(198,904)	57,650	(2,936,237)
Equipment	(1,992,030)	(298,432)	3,792	(2,286,670)
Total accumulated depreciation	(56,292,812)	(6,731,562)	205,237	(62,819,137)
Governmental activities capital assets, net	$ 128,141,175	$ (3,758,695)	$ (1,435,923)	$ 122,946,557

II. Detailed Notes on All Funds (continued)

C. Capital Assets (continued)

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

	Capital Outlay	Depreciation Expense
Governmental activities:		
Direct instruction	$ 1,524,710	$ 5,900,884
Student activities	-	52,157
Support services	43,167	778,521
Total - governmental activities	$ 1,567,877	$ 6,731,562

D. Interfund Transfers

Transfers for fiscal year 2016 were as follows:

Transfer In (Out)	Amount	Transfer Purpose
General Fund	$ (1,540,549)	To fund District projects and grants.
Capital Projects Fund	1,540,549	To help fund capital acquisitions
Total	$ -	

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. A portion of the 2005 General Obligation Bonds were redeemed via a refunding through the issuance of General Obligation Refunding Bonds, Series 2016.

II. 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, 2013A&B, 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. A portion of the 2005 General Obligation Bonds were redeemed via a refunding through the issuance of General Obligation Refunding Bonds, Series 2016.

III. Detailed Notes on All Funds (continued)

F. Long-term Debt (continued)

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.

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.

III. Detailed Notes on All Funds (continued)

F. Long-term Debt (continued)

11. General Obligation Refunding Bonds, Series 2016

On January 6, 2016, the District issued General Obligation Refunding Bonds, Series 2016. The bonds were issued in the amount of $8,900,000 and the proceeds were used to partially refund General Obligation Bonds, Series 2005 and 2009. The bonds are issued in denominations of $5,000 and bear interest rates ranging from 2.0% to 4.0%. The bonds maturing on and before December 1, 2018 are not subject to early redemption prior to their respective maturity dates. The debt matures in 2028. The District realized a present value savings on the refunding of $

12. Defeasance of Debt

As noted above, proceeds of the 2005, 2009B, 2010, 2012, 2013A&B, 2014, 2015, and 2016 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.

13. Schedule of Future Payments

The District's aggregate annual debt service requirements at June 30, 2016, are as follows:

Fiscal Year Ending	Bonded Debt & Int. Coupons Total Principal	Total Interest
2017	$ 5,805,000	$ 3,022,808
2018	5,825,000	2,845,450
2019	6,000,000	2,711,167
2020	6,265,000	2,569,354
2021	6,420,000	2,371,641
2022 - 2026	36,435,000	7,719,833
2027 - 2029	25,615,000	1,348,796
Total	$ 92,365,000	$ 22,589,049
Add: Unamortized bond premium	6,969,493	
Total debt	$ 99,334,493	

III. Detailed Notes on All Funds (continued)

F. Long-term Debt (continued)

14. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2016:

	Balance July 1, 2015	Additions	(Reductions)	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Refunding Bonds, Series 2005	$ 3,270,000	$ -	$ (2,535,000)	$ 735,000	$ 735,000
General Obligation Bonds, Series 2006	3,925,000	-	(1,925,000)	2,000,000	2,000,000
General Obligation Bonds, Series 2007	1,910,000	-	(610,000)	1,300,000	635,000
General Obligation Bonds, Series 2009	9,700,000	-	(7,350,000)	2,350,000	45,000
Supplemental Interest Coupons, Series 2009	35,851	-	(35,851)	-	-
Refunding Bonds, Series 2009B	11,215,000	-	(1,675,000)	9,540,000	1,715,000
Refunding Bonds, Series 2010	13,470,000	-	(70,000)	13,400,000	70,000
General Obligation Refunding Bonds, Series 2012	16,805,000	-	(75,000)	16,730,000	75,000
General Obligation Refunding Bonds, Series 2013	20,340,000	-	(195,000)	20,145,000	200,000
General Obligation Refunding Bonds, Series 2014	8,730,000	-	(130,000)	8,600,000	130,000
General Obligation Refunding Bonds, Series 2015	8,820,000	-	(155,000)	8,665,000	100,000
General Obligation Refunding Bonds, Series 2016	-	8,900,000	-	8,900,000	100,000
Accrued compensated absences	1,340,491	1,065,084	(1,340,491)	1,065,084	1,065,084
Net Pension Liability	77,470,936	10,395,262	-	87,866,198	-
Total	$177,032,278	$ 20,360,346	$ (16,096,342)	$181,296,282	$ 6,870,084

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
2017	$ 48,723
2018	48,723
2019	48,723
2020	48,723
2021	48,723
2022 - 2026	207,709
Total	$ 451,325

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

At June 30, 2016, the District reported a liability of $87,866,198 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District proportion was 0.57%, as compared to its proportion of 0.57% measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of $8,956,816. At June 30, 2016, 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	$ 1,160,284	$ 3,660
Changes of assumptions or other inputs	-	1,241,702
Net difference between projected and actual earnings on pension plan investments	7,471,092	-
Changes in proportionate share of contributions	278,837	26,952
Difference between actual and reported contributions recognized	5,190	-
Contributions subsequent to the measurement date	2,566,662	-
Total	$ 11,482,065	$ 1,272,314

Contributions subsequent to the measurement date of December 31, 2015, 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	$ 2,039,505
2018	2,043,995
2019	2,027,549
2020	1,532,040
	$ 7,643,089

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)

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

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

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

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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)

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

As of the 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:

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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)

Discount rate (continued).

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

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

Sensitivity of the District'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%)
Collective net pension liability	19,825,875,000	15,294,294,000	11,524,864,000
Proportionate share of net pension liability	113,900,273	87,866,198	66,210,705

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.

III. Detailed Notes on All Funds (continued)

I. Fund Balances

At June 30, 2016 fund balances were committed for the following purposes:

Capital projects	$210,576

At June 30, 2016 fund balances were assigned for the following purposes:

Capital projects	$72,505
Food service	532,858
Pupil activities	367,030

J. Deficit Net Position

At June 30, 2016, the District had a deficit net position of $21,776,618.

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.

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.

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.

IV. Other Information (continued)

A. Employee Benefits – COPERA (continued)

1. Defined Benefit Pension Plan (continued)

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

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

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

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 $4,750,991for the year ended June 30, 2016.

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.

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, 2016, 2015, and 2014 were $258,267, $249,040, and $239,997, 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.

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, 2016, 2015, and 2014 were $267,486, $187,444, and $184,330, respectively.

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.

IV. Other Information (continued)

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, 2016.

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, 2016.

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.

The BOCES has issued its own audited financial statements for the year ended June 30, 2015, the latest available data. The following summary information is presented:

Assets and Defered Outflows	$ 5,958,982
Liabilities and Deferred Inflows	(8,860,777)
Net Position	$ (2,901,795)
Expenses	$ (10,656,311)
Program Revenues	10,240,983
General Revenues	149,921
Change in Net Position	(265,407)
Net Position - Beginning	(2,636,388)
Net Position - Ending	$ (2,901,795)

For the year ended June 30, 2016 and 2015, the District made operating contributions of $1,323,745 and $1,083,848, respectively.

Garfield School District RE-2

Required Supplementary Information

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
REVENUES	Original	Final	Amounts	(Negative)	Amounts
Taxes:					
Property taxes	$ 9,969,145	$ 10,061,880	$ 10,173,442	$ 111,562	$ 10,213,297
Specific ownership taxes	1,080,000	1,080,000	1,005,048	(74,952)	1,066,160
State income	28,224,472	29,181,331	28,926,524	(254,807)	27,215,848
Federal income	816,902	956,615	905,411	(51,204)	927,487
Investment income	15,000	15,000	38,063	23,063	15,992
Other	1,199,082	1,202,280	1,137,191	(65,089)	1,318,224
Total revenues	41,304,601	42,497,106	42,185,679	(311,427)	40,757,008
EXPENDITURES					
Current:					
Direct instruction	23,203,784	24,097,683	23,265,727	831,956	22,250,255
Indirect instruction	4,855,382	4,933,166	5,078,305	(145,139)	4,701,467
Transportation	1,582,919	1,623,232	1,600,094	23,138	1,460,941
Custodial and maintenance	5,219,003	5,219,003	5,218,847	156	5,051,048
Support services	2,712,349	2,711,944	2,871,820	(159,876)	2,637,848
General administration	3,502,485	3,644,497	3,439,281	205,216	3,404,121
Community service	27,000	27,000	15,000	12,000	27,094
Capital Outlay	-	-	-	-	10,609
Total expenditures	41,102,922	42,256,525	41,489,074	767,451	39,543,383
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	201,679	240,581	696,605	456,024	1,213,625
OTHER FINANCING (USES)					
Transfers (out)	(1,112,293)	(1,540,549)	(1,540,549)	-	(1,708,954)
Total other financing (uses)	(1,112,293)	(1,540,549)	(1,540,549)	-	(1,708,954)
NET CHANGE IN FUND BALANCES	$ (910,614)	$ (1,299,968)	(843,944)	$ 456,024	(495,329)
FUNDS BALANCES, BEGINNING			12,092,303		12,587,632
FUND BALANCES, ENDING			$ 11,248,359		$ 12,092,303

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts			Variance with Final Budget- Positive	
	Original	Final	Actual Amounts	(Negative)	Actual Amounts
REVENUES					
Federal income	$ 1,125,507	$ 1,125,507	$ 973,323	$ (152,184)	$ 901,855
Other sources	249,549	840,518	745,217	(95,301)	407,705
Total revenues	1,375,056	1,966,025	1,718,540	(247,485)	1,309,560
EXPENDITURES					
Current:					
Direct instruction	594,776	598,307	363,520	234,787	372,144
Indirect instruction	780,280	829,262	806,745	22,517	714,739
General administration	-	-	-	-	19,221
Custodial and maintenance	-	-	-	-	25,000
Community service	-	-	2,528	(2,528)	40
Food Service operations	-	-	720	(720)	4,438
Capital outlay	-	545,522	545,027	495	173,978
Total expenditures	1,375,056	1,973,091	1,718,540	254,551	1,309,560
NET CHANGE IN FUND BALANCES	$ -	$ (7,066)	-	$ 7,066	-
FUND BALANCES, BEGINNING			-		-
FUND BALANCES, ENDING			$ -		$ -

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 *

	2016	2015	2014
District's proportion of the net pension liability	0.5745%	0.5716%	0.5721%
District's proportionate share of the net pension liability	87,866,198	77,470,936	72,966,025
District's covered-employee payroll	$ 25,036,690	$ 23,945,915	$ 23,115,932
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	351%	324%	316%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	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, 2016:

Note 1. Changes of assumptions.
Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

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

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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 *

	2016	2015	2014
Contractually required contribution	$ 4,338,863	$ 3,934,315	$ 3,581,457
Contributions in relation to the contractually required contribution	$ (4,338,863)	$ (3,934,315)	$ (3,581,457)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	$ 25,036,690	$ 23,945,915	$ 23,115,932
Contributions as a percentage of covered-employee payroll	17.33%	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, 2016:

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget-Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Taxes:					
Property taxes	$ 8,908,456	$ 8,908,456	$ 8,983,315	$ 74,859	$ 9,286,275
Interest Income	-	-	(754)	(754)	(254)
Total revenues	8,908,456	8,908,456	8,982,561	74,105	9,286,021
EXPENDITURES					
Debt service:					
Principal	5,575,851	5,575,851	5,575,851	-	5,322,275
Interest	3,302,605	3,302,605	3,237,402	65,203	3,507,019
Fiscal charges	30,000	147,343	115,179	32,164	142,346
Total expenditures	8,908,456	9,025,799	8,928,432	97,367	8,971,640
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(117,343)	54,129	171,472	314,381
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	8,900,000	8,900,000	-	8,820,000
Premium on bonds	-	1,076,512	1,076,512	-	647,242
Payment to refunded bond escrow agent	-	(9,859,169)	(9,859,169)	-	(9,348,606)
Total other financing sources	-	117,343	117,343	-	118,636
NET CHANGE IN FUND BALANCES	$ -	$ -	171,472	$ 171,472	433,017
FUND BALANCES, BEGINNING			12,075,962		11,642,945
FUND BALANCES, ENDING			$ 12,247,434		$ 12,075,962

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Other revenue	$ -	$ -	$ 18,200	$ 18,200	$ 3,960
Total revenues	-	-	18,200	18,200	3,960
EXPENDITURES					
Major renovations	485,000	791,193	701,653	89,540	1,151,599
Capital equipment	18,500	18,500	15,355	3,145	8,786
Vehicles	188,000	268,563	271,604	(3,041)	119,195
Other equipment / services	368,850	410,350	416,577	(6,227)	552,567
Principal retirement	51,943	51,943	54,416	(2,473)	134,805
Interest and fiscal charges	-	-	-	-	5,729
Total expenditures	1,112,293	1,540,549	1,459,605	80,944	1,972,681
EXCESS (DEFICIENCY) OF REVENUES (OVER) EXPENDITURES	(1,112,293)	(1,540,549)	(1,441,405)	99,144	(1,968,721)
OTHER FINANCING SOURCES					
Transfers in (out)	1,112,293	1,540,549	1,540,549	-	1,708,954
Total other financing sources	1,112,293	1,540,549	1,540,549	-	1,708,954
NET CHANGE IN FUND BALANCES	$ -	$ -	99,144	$ 99,144	(259,767)
FUND BALANCES, BEGINNING			246,937		506,704
FUND BALANCES, ENDING			$ 346,081		$ 246,937

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, 2016

	Pupil Activity Fund	Food Service Fund	Total Non-Major Governmental Funds
ASSETS			
Cash and cash equivalents	$ 413,311	$ 519,676	$ 932,987
Due from other governments	-	91,276	91,276
Inventories	-	22,399	22,399
Total assets	$ 413,311	$ 633,351	$ 1,046,662
LIABILITIES			
Liabilities:			
Accounts payable	$ 23,281	$ 1,799	$ 25,080
Accrued compensation	-	34,335	34,335
Payroll withholdings and deductions	-	3	3
Total liabilities	23,281	36,137	59,418
Deferred inflows of resources:			
Unavailable property taxes	-	3,957	3,957
FUND BALANCES			
Nonspendable:			
Inventory	$ -	$ 22,399	$ 22,399
Restricted:			
TABOR	23,000	38,000	61,000
Assigned	367,030	532,858	899,888
Total fund balances	390,030	593,257	983,287
Total liabilities, deferred inflows, and fund balances	$ 413,311	$ 633,351	$ 1,046,662

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, 2016

	Pupil Activity Fund	Food Service Fund	Total Non-Major Governmental Funds
REVENUES			
State income	$ -	$ 28,201	$ 28,201
Federal income	-	870,114	870,114
Investment earnings	-	2,615	2,615
Other sources	663,124	260,577	923,701
Total revenues	663,124	1,161,507	1,824,631
EXPENDITURES			
Support services	3,012	-	3,012
Food service operations	-	1,242,755	1,242,755
Student activities	644,261	-	644,261
Total expenditures	647,273	1,242,755	1,890,028
NET CHANGE IN FUND BALANCES	15,851	(81,248)	(65,397)
FUND BALANCES, BEGINNING	374,179	674,505	1,048,684
FUND BALANCES, ENDING	$ 390,030	$ 593,257	$ 983,287

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Other sources	$ 721,481	$ 721,481	$ 663,124	$ (58,357)	$ 652,169
Total revenues	721,481	721,481	663,124	(58,357)	652,169
EXPENDITURES					
Indirect instruction	50,000	50,000	-	50,000	455
Support services	2,000	2,000	3,012	(1,012)	2,718
Student activities	695,886	695,886	644,261	51,625	687,612
Total expenditures	747,886	747,886	647,273	100,613	690,785
NET CHANGE IN FUND BALANCES	$ (26,405)	$ (26,405)	15,851	$ 42,256	(38,616)
FUND BALANCES, BEGINNING			374,179		412,795
FUND BALANCES, ENDING			$ 390,030		$ 374,179

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
REVENUES					
Food and Ala carte sales	$ 269,757	$ 269,757	$ 257,033	$ (12,724)	$ 267,048
Federal aid:					
Federal government meal reimbursement	815,038	815,038	788,831	(26,207)	835,944
USDA Commodity contribution	80,235	80,235	81,284	1,049	45,904
State reimbursement	26,826	26,826	28,201	1,375	27,762
Donations from private sources	-	-	3,543	3,543	-
Interest income	45	45	2,615	2,570	34
Total revenues	1,191,901	1,191,901	1,161,507	(30,394)	1,176,692
EXPENDITURES					
Salaries and employee benefits	797,382	797,382	768,124	29,258	753,249
Purchased services	2,267	2,267	2,084	183	1,104
Supplies	34,451	34,451	27,877	6,574	28,375
Food costs:					
Purchased food	471,505	471,505	365,853	105,652	419,779
Donated commodities	80,235	80,235	81,284	(1,049)	45,904
Internal catering and other	(3,516)	(3,516)	(4,291)	775	(4,613)
Property	1,250	1,250	1,824	(574)	-
Total expenditures	1,383,574	1,383,574	1,242,755	140,819	1,243,798
CHANGE IN NET POSITION	(191,673)	(191,673)	(81,248)	110,425	(67,106)
TOTAL NET POSITION, BEGINNING			674,505	(110,425)	741,611
TOTAL NET POSITION, ENDING			593,257		674,505

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, 2016
(With Comparative Actual Amounts for 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with Final Budget- Positive	Actual
	Original	Final	Amounts	(Negative)	Amounts
ADDITIONS					
Programs	$ 114,555	$ 114,555	$ 105,655	$ (8,900)	$ 109,021
Total additions	114,555	114,555	105,655	(8,900)	109,021
DEDUCTIONS					
Programs	113,055	113,055	107,431	5,624	113,872
Total deductions	113,055	113,055	107,431	5,624	113,872
CHANGE IN FIDUCIARY ASSETS AND LIABILITIES	$ 1,500	$ 1,500	(1,776)	$ (3,276)	(4,851)
DUE TO STUDENT ACTIVITIES, BEGINNING			41,116		45,967
DUE TO STUDENT ACTIVITIES, ENDING			$ 39,340		$ 41,116

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 2015-16
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type &Number		Beg Fund Balance & Prior Per Adj (6880*) +	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses -	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance =
Governmental					
10	General Fund	12,092,303	40,645,131	41,489,074	11,248,360
18	Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19	Colorado Preschool Program Fund	0	0	0	0
Sub- Total		12,092,303	40,645,131	41,489,074	11,248,360
11	Charter School Fund	0	0	0	0
20,26-29	Special Revenue Fund	0	0	0	0
21	Food Service Spec Revenue Fund	674,505	1,161,507	1,242,756	593,257
22	Govt Designated-Purpose Grants Fund	0	1,718,540	1,718,540	0
23	Pupil Activity Special Revenue Fund	374,179	663,124	647,273	390,030
24	Full Day Kindergarten Mill Levy Override	0	0	0	0
25	Transportation Fund	0	0	0	0
31	Bond Redemption Fund	12,075,962	18,959,073	18,787,601	12,247,433
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	246,937	1,558,749	1,459,605	346,080
Totals		25,463,885	64,706,124	65,344,850	24,825,160
Proprietary					
50	Other Enterprise Funds	0	0	0	0
64 (63)	Risk-Related Activity Fund	0	0	0	0
60,65-69	Other Internal Service Funds	0	0	0	0
Totals		0	0	0	0
Fiduciary					
70	Other Trust and Agency Funds	0	0	0	0
72	Private Purpose Trust Fund	0	0	0	0
73	Agency Fund	0	0	0	0
74	Pupil Activity Agency Fund	41,116	105,654	107,431	39,340
79	GASB 34:Permanent Fund	0	0	0	0
85	Foundations	0	0	0	0
Totals		41,116	105,654	107,431	39,340

FINAL

*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

M & A

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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, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 15, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Garfield 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 control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 15, 2016

McMahan and Associates, L.L.C.
Certified Public Accountants and Consultants

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

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

Report on Compliance for Each Major Federal 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 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, 2016. The District's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibilities

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

Auditor's Responsibilities

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

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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 Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do no 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 15, 2016

Garfield School District RE-2
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

Part I: Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S Code of Federal Regulations Park 200	None noted
Major programs - Title, Part A	CFDA# 84.010
Dollar threshold used to identify Type A from Type B programs	$750,000
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, 2016

Note: There were no findings for the fiscal year ended June 30, 2015

Garfield School District RE-2
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Program Title	Federal CFDA Number	Grant Project Code	Major Program (Yes/No)	Expenditures	
Department of Education:					
Passed through Colorado Department of Education:					
Title I, Part A - Improving Basic Programs Operated by Schools	84.010	4010	Yes	605,778	
Title I, Part G - Advanced Placement for Disadvantaged Students	84.330	5330	No	1,372	
Title II, Part A - Teach and Principal Training and Recruiting	84.367	4367	No	126,626	
Title III, Part A - English Language Acquisition	84.365	4365	No	58,448	
Title III, Part A - Immigrant Set Aside	84.365	6365	No	1,036	
Title III, Part A - Immigrant Set Aside	84.365	7365	No	5,658	
Race to the Top - Early Childhood Readiness	84.412	5412	No	17,692	
Passed through the Colorado Community College System (CCCS):					
Carl Perkins	84.048	4048	No	23,338	
Total Department of Education				962,638	
Department of Agriculture:					
Passed through Colorado Department of Education:					
School Breakfast Program	10.553	4553	No	209,925	***A***
National School Lunch Program	10.555	4555	No	575,784	***A***
Summer Food Service Program for Children	10.559	4559	No	3,121	***A***
Passed through Colorado Department of Human Services:					
Food Distribution, Commodities	10.555	4555	No	81,284	***A***
Total Department of Agriculture				870,114	
Total Expenditures				$ 1,832,752	

Additional Information for Clusters:	
A Child Nutrition Cluster	$ 870,114

Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2016

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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the general purpose financial statements.

Note 2. Determining the Value of Non-cash Awards Expended:
Food Commodities: Fair market value of commodities at the time recipient receives award and the assessed value provided by the federal agency.

Note 3. Indirect Facilities and Administration Costs
The District does not use the 10% de minimis cost rate allowed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.414, Indirect (F&A) costs. Instead, the District prepares an annual cost allocation plan to allocate indirect costs.

Note 4. Sub recipients:
The District had no sub-recipients as of June 30, 2016