

***Arickaree School District R-2***  
**Anton, Colorado**

**Financial Statements**

**For the Year ended June 30, 2016**

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## **Independent Auditors' Report**

Board of Education  
Arickaree School District R-2  
Anton, Colorado

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

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Arickaree School District R-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 as listed in the table of contents.

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

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## **Opinions**

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

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical pension information listed in the table of contents 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 3, 2016

## Management Discussion and Analysis

This discussion and analysis of Arickaree School District R-2's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should review the information presented here in conjunction with the notes to the basic financial statements and the financial statements to enhance their understanding of the District's performance.

### Financial Highlights – Financial Statements as of June 30, 2016

- The assets of the District exceed its liabilities at the close of June 30, 2016 by \$128,530 (net position) as reported in the government-wide financial statements.
- The District's government-wide total net position decreased by \$43,807 over the prior fiscal year.
- Program revenues of \$239,298 offset expenses from governmental activities of \$2,253,968. General revenues amounted to \$1,970,863.
- At the close of June 30, 2016, the District reported \$1,623,001 combined fund balances for the Governmental Funds, an increase of \$183,461.

### Overview of the Financial Statements

Management's Discussion and Analysis is intended to serve as an introduction to the District's basic financial statements. The basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements and, (4) required supplementary information. This report also contains other supplementary information in addition to the basic financial statements.

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

The statement of net position presents information about all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, changes 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 expense are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, and administration. Taxes and intergovernmental revenues principally support these activities.

The government-wide financial statements can be found on pages 10-13 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 School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

*Governmental funds.* Governmental funds account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating the District's near-term financing requirements. The annual budget is provided on the basis of the governmental fund financial statements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Arickaree School District R-2 maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. Data for the other two governmental funds are combined in a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Arickaree School District R-2 adopts an annual appropriated budget for all funds. A budgetary comparison statement has been provided for the General Fund, Food Service Fund, Student Activity Fund and Scholarship Trust Fund to demonstrate compliance with this budget.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support Arickaree School District R-2's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 18 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 government-wide and fund financial statements. The notes to the financial statements may be found on pages 20-45 of this report.

*Other information.* In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with comparison statements that demonstrate compliance with budgets. Budgeted amounts may be found on pages 56-68.

## Government-wide Financial Analysis

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and other assets are current assets. These assets are available to provide resources for the near-term operations of the District. A good portion of the current assets result from the property tax collection process; the District receives about 97% of the annual property tax assessment between January and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term of in the future. Current liabilities include accounts payable, accrued salaries, and benefits and unearned revenues. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets or new resources that become available during the ensuing fiscal year.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The District's assets exceeded liabilities by \$128,530 at the close of the most recent fiscal year.

The following table provides a summary of the district's net position as of June 30, 2016.

	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Current and Other assets	\$ 1,773,088	\$ 1,566,475	13.19%
Capital assets	\$ 1,221,729	\$ 1,186,675	2.95%
<b>Total assets</b>	<b>\$ 2,994,817</b>	<b>\$ 2,753,150</b>	<b>8.78%</b>
Deferred outflows of resources	\$ 445,860	\$ 265,807	67.73%
<b>Total assets and deferred outflows of resources</b>	<b>\$ 3,440,677</b>	<b>\$ 3,018,957</b>	<b>13.97%</b>
Long term liabilities	\$ 3,100,658	\$ 2,725,639	13.76%
Other liabilities	\$ 136,720	\$ 120,809	13.17%
<b>Total liabilities</b>	<b>\$ 3,237,378</b>	<b>\$ 2,846,448</b>	<b>13.73%</b>
Deferred inflows of resources	\$ 74,769	\$ 172	100%
Net investment in capital assets	\$ 1,149,578	\$ 1,186,675	-3.12%
Restricted	\$ 66,652	\$ 72,411	-7.95%
Unrestricted	\$ (1,087,700)	\$ (1,086,749)	-0.09%
<b>Total net position</b>	<b>\$ 128,530</b>	<b>\$ 172,337</b>	<b>-25.42%</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 3,440,677</b>	<b>\$ 3,018,957</b>	<b>13.97%</b>

The District's reported assets consist of current assets of \$1,773,088 and capital assets of \$1,221,729. The ratio of Current Assets to Current Liabilities of 12.97 to 1 indicates the District's ability to meet current obligations.



The following table is a summary of the District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Charges for services	\$ 75,715	\$ 58,973	28.39%
Operating Grants & Contributions	\$ 163,583	\$ 174,115	-6.05%
Property taxes	\$ 866,813	\$ 824,945	5.07%
State equalization	\$ 869,624	\$ 874,156	-0.52%
Other	\$ 234,426	\$ 202,711	15.65%
Transfers	-	-	0.00%
<b>Total Revenue</b>	<b>\$2,210,161</b>	<b>\$2,134,900</b>	<b>3.53%</b>
<b>Expenses</b>			
Instruction	\$1,112,830	\$1,035,104	7.50%
Supporting Services	\$1,104,293	\$ 969,922	13.85%
Other	\$ 36,845	\$ 36,399	1.23%
<b>Total Expenses</b>	<b>\$2,253,968</b>	<b>\$2,041,425</b>	<b>10.41%</b>
<b>Change in net position</b>	<b>\$ (43,807)</b>	<b>\$ 93,475</b>	<b>-100%</b>

Governmental activities increased the District's net position in FY 2015 by \$93,475, but decreased in FY 2016 by \$43,807.

### Financial Analysis of the Government's Funds

As noted 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, unrestricted fund balance 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 a combined ending fund balance of \$1,623,001, an increase of \$183,461.

- Revenues exceeded expenditures and transfers out in the General Fund by \$190,457, increasing fund balance to \$1,530,688.

### General Fund Budgetary Highlights

The District is required to adopt a budget by June 30 for the following fiscal year. The Board of Education will submit a copy of the budget to CDE by January 31.

## Capital Asset and Debit Administration

*Capital assets.* The District's investment in capital assets as of June 30, 2016 amounts to \$1,221,729 (net of accumulated depreciation). This investment in capital assets included land, buildings, service vehicles, buses and playground, office and instructional equipment.

### Comparative Schedule of Capital Assets

	Governmental Activities	
	2016	2015
Land and sites	\$ 29,645	\$ 29,645
Buildings and improvements	2,027,435	2,019,435
Transportation equipment	532,603	441,774
Other equipment	100,824	91,763
Subtotal	2,582,617	2,582,617
Less accumulated depreciation	(1,468,778)	(1,395,942)
<u>Total capital assets</u>	<u>\$ 1,221,729</u>	<u>\$ 1,186,675</u>

Additional information on the School District's capital assets can be found in Note E to the basic financial statements.

### Long-Term Debt

At year-end, the School District's long-term debt of \$3,100,658 represented its accrued compensated absences of \$29,587; Colorado Department of Education repayment in the amount of \$25,281; capital lease obligations in the amount of \$72,151 and net pension liability of \$2,973,639. Additional information on the District's long-term debt can be found in Note G to the basic financial statements.

### Economic Factors and Next Year's Budget

- Facility: building roof, parking lot, replacement needed.
- Bus replacements are necessary.
- Decreasing Enrollment.
- Minimal increase in funding from state.
- CDE repayment of \$29,281.00 from Transportation and Pupil Count Audit.
- CDE Student Testing – requires computers – needing replacements.
- Technology improvements to increase learning are ongoing.
- Personnel to meet the needs of students.
- Increase to the negative factor = state funding is lowered to district.
- Food Service- major appliances needing updated.

**Requests for Information**

This financial report is designed to provide a general overview of Arickaree School District R-2's finances for all those with an interest in the District's Finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 12155 County Road NN, Anton, Colorado 80801-9601.

## **Basic Financial Statements**

The basic financial statements of the District include the following:

*Government-wide financial statements.* The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

*Fund financial statements.* The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

*Notes to the financial statements.* The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Net Position**  
**June 30, 2016**

	Governmental Activities
Assets	
Cash	\$ 971,642
Cash with fiscal agent	7,635
Certificates of deposit	63,140
Investments	695,482
Receivables	29,549
Due from fiduciary fund	1,480
Inventory	4,160
Capital assets, net of depreciation	<u>1,221,729</u>
 Total assets	 2,994,817
Deferred outflows of resources	
Contributions subsequent to measurement date	83,604
Differences between expected and actual experience	39,267
Differences between projected and actual earnings on pension plan	252,843
Changes in proportionate share	<u>70,146</u>
 Total deferred outflows of resources	 <u>445,860</u>
 Total assets and deferred outflows of resources	 <u>\$ 3,440,677</u>
Liabilities	
Accounts payable	\$ 21,581
Accrued salaries and benefits	115,139
Noncurrent liabilities	
Due within one year	18,829
Due in more than one year	<u>3,081,829</u>
 Total liabilities	 3,237,378
Deferred inflows of resources	
Differences between expected and actual experience	124
Changes in proportionate share	32,622
Changes in assumptions or other inputs	<u>42,023</u>
 Total deferred inflows of resources	 74,769
Net position	
Net investment in capital assets	1,149,578
Restricted for:	
Emergencies	56,000
Colorado preschool program	7,831
Food service operations	2,821
Unrestricted (deficit)	<u>(1,087,700)</u>
 Total net position	 <u>128,530</u>
 Total liabilities, deferred inflows of resources and net position	 <u>\$ 3,440,677</u>

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

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**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Activities**  
**For the Year Ended June 30, 2016**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities				
Instruction	\$ 1,112,830	\$ 34,562	\$ 84,905	
Supporting services				
Students	47,299			
Instructional staff	23,199		4,475	
General administration	402,589			
School administration	76,082			
Business services	42,895			
Operations and maintenance	178,200			
Student transportation	146,770		35,316	
Central support services	76,368			
Food service operations	110,891	41,153	38,887	
Unallocated depreciation *	36,179			
Interest and fiscal charges	666			
Total governmental activities	<u>\$ 2,253,968</u>	<u>\$ 75,715</u>	<u>\$ 163,583</u>	<u>\$ -</u>

General revenues  
 Taxes  
   Property taxes, levied for general purposes  
   Specific ownership taxes  
   Delinquent taxes and interest  
   State categorical aid  
   Earnings on investments  
   Other  
  
 Total general revenues  
  
 Change in net position  
  
 Net position at beginning of year  
  
 Net position at end of year

\* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

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Net (Expenses)  
Revenues and  
Changes in  
Net Position

Total  
Governmental  
Activities

\$ (993,363)

(47,299)

(18,724)

(402,589)

(76,082)

(42,895)

(178,200)

(111,454)

(76,368)

(30,851)

(36,179)

(666)

(2,014,670)

770,612

93,878

2,323

869,624

3,227

231,199

1,970,863

(43,807)

172,337

\$ 128,530



**ARICKAREE SCHOOL DISTRICT R-2**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Cash	\$ 877,267	\$ 94,375	\$ 971,642
Cash with fiscal agent	7,635		7,635
Certificates of deposit	63,141		63,141
Investments	695,481		695,481
Property taxes receivable	22,695		22,695
Due from other funds	2,075		2,075
Grant receivables	2,154		2,154
Other receivables	4,700		4,700
Inventories		4,160	4,160
<b>Total assets</b>	<b>\$ 1,675,148</b>	<b>\$ 98,535</b>	<b>\$ 1,773,683</b>
<b>Liabilities</b>			
Accounts payable	\$ 21,581		\$ 21,581
Due to other funds		\$ 595	595
Accrued salaries and benefits	109,512	5,627	115,139
<b>Total liabilities</b>	<b>131,093</b>	<b>6,222</b>	<b>137,315</b>
<b>Deferred inflows of resources</b>			
Deferred property tax revenues	13,367		13,367
<b>Total deferred inflows of resources</b>	<b>13,367</b>	<b>-</b>	<b>13,367</b>
<b>Fund balance</b>			
Nonspendable inventories		4,160	4,160
Restricted for:			
Emergencies	56,000		56,000
Colorado preschool program	7,831		7,831
Food service operations		2,821	2,821
Committed to pupil activities		85,332	85,332
Assigned to:			
Capital projects	79,210		79,210
Risk-related activities	5,406		5,406
Unassigned	1,382,241		1,382,241
<b>Total fund balance</b>	<b>1,530,688</b>	<b>92,313</b>	<b>1,623,001</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 1,675,148</b>	<b>\$ 98,535</b>	<b>\$ 1,773,683</b>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2016**

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

Total fund balance - governmental funds	\$ 1,623,001
Capital assets, net of accumulated depreciation used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.	1,221,729
Certain receivables will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the governmental funds.	13,367
Deferred outflows of resources used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	445,860
Long-term liabilities including compensated absences, capital lease obligation, payments to the Colorado Department of Education and net pension liabilities, are not due and payable in the current period and therefore are not reported in the governmental funds.	(3,100,658)
Deferred inflows of resources used in governmental activities do not use current financial resources and, therefore, are not reported in the governmental funds.	<u>(74,769)</u>
Net position of the governmental activities	<u><u>\$ 128,530</u></u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Revenues, Expenditures and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2016**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Local sources	\$ 1,020,114	\$ 149,481	\$ 1,169,595
Intermediate sources	118		118
State sources	960,491	1,529	962,020
Federal sources	33,829	37,358	71,187
<b>Total revenues</b>	<b>2,014,552</b>	<b>188,368</b>	<b>2,202,920</b>
<b>Expenditures</b>			
Instruction	880,228	117,356	997,584
Supporting services	990,352	103,008	1,093,360
Debt service			
Principal retirement	18,690		18,690
Interest and fiscal charges	667		667
<b>Total expenditures</b>	<b>1,889,937</b>	<b>220,364</b>	<b>2,110,301</b>
Excess of revenues over (under) expenditures	124,615	(31,996)	92,619
<b>Other financing sources (uses)</b>			
Capital lease proceeds	90,842		90,842
Transfers in		25,000	25,000
Transfers out	(25,000)		(25,000)
<b>Total other financing sources (uses)</b>	<b>65,842</b>	<b>25,000</b>	<b>90,842</b>
Excess of revenues and other financing sources over expenditures and other (uses)	190,457	(6,996)	183,461
Fund balance at beginning of year	1,340,231	99,309	1,439,540
Fund balance at end of year	<u>\$ 1,530,688</u>	<u>\$ 92,313</u>	<u>\$ 1,623,001</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances**  
**of Governmental Funds to the Statement of Activities**  
**For the Year Ended June 30, 2016**

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

Net change in fund balances - governmental funds	\$ 183,461
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlays exceeded depreciation in the current period.	35,054
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	7,241
Proceeds from capital lease obligations are recognized in the governmental funds but restated as an increase in long-term liabilities in the government-wide statements.	(90,842)
Retirements of principal outstanding on the District's debt result in a reduction of accumulated resources in the governmental funds. The government-wide statements show these reductions against the long-term liabilities.	18,691
In the statement of activities, certain operating expenses related to compensated absences - are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	(10,423)
Net pension liability related items are reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(186,989)</u>
Change in net position of governmental activities	<u>\$ (43,807)</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2016**

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	<u>Private Purpose Trust Fund</u>
Assets	
Cash	\$ 901
Certificates of deposit	5,000
Other receivables	<u>750</u>
Total assets	<u>\$ 6,651</u>
Liabilities	
Due to other funds	<u>\$ 1,480</u>
Total liabilities	1,480
Net position	
Held in trust for scholarships	<u>5,171</u>
Total liabilities and net position	<u>\$ 6,651</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2016**

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	<u>Private Purpose Trust Fund</u>
Additions	
Contributions and earnings	\$ 161
Total additions	161
Deductions	
Scholarship awards	150
Total deductions	150
Net increase in net position	11
Net position at beginning of year	5,160
Net position at end of year	<u>\$ 5,171</u>

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies**

This summary of the Arickaree School District R-2's significant accounting policies is presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The more significant of the District's accounting policies are described below.

**A.1 – Reporting entity**

The Arickaree School District R-2 is a school district governed by an elected five-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

**A.2 – Fund accounting**

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The District does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the District's major governmental fund:

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain capital outlay expenditures, debt service, food service operations and pupil activities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Pupil Activity Agency Fund – This fund is special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Scholarship Trust Fund – This fund is a private-purpose trust fund used to account for resources held by the District in a fiduciary capacity for scholarships to be distributed to area students for post-secondary education.

**Note A.3 – Basis of presentation**

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

**A.4 – Basis of accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

**A.5 – Encumbrances**

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

**A.6 – Short-term interfund receivables/payables**

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

**A.7 – Inventories**

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note A – Summary of significant accounting policies (Continued)**

**A.8 – Capital assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets with a unit cost greater than \$3,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>		<u>Governmental Activities</u>
Buildings and improvements	10-40 years	10-40 years
Other equipment	10 years	10 years
Licensed vehicles	7-10 years	7-10 years

**A.9 – Compensated absences**

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absences benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Certain personnel and full-time employees receive up to ten days of sick leave each year, which can be accumulated up to thirty days maximum. Upon leaving employment with the District, these staff shall be paid for the accumulated days at a rate of \$75 per day for certified staff, \$20 per day for classified staff and at their daily rate as specified in employment contracts.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

**A.10 – Accrued liabilities and long-term obligations**

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds is reported as a liability in the fund financial statements only to the extent that they will be paid with current, expendable, available financial resources. Bonds payable and other long-term obligations that will be paid from governmental funds are not recognized as a liability in the fund financial statements until due.

**A.11 – Fund balance**

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

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

*Nonspendable*, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

*Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

*Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

*Assigned* fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

*Unassigned* fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

**A.12 – Net position**

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note A – Summary of significant accounting policies (Continued)**

**A.13 – Interfund transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

**A.14 – Extraordinary and special items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

**Note B – Cash and investments**

**Cash and deposits**

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$1,077,328, of which \$255,000 was insured and \$822,328 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note B – Cash and investments (Continued)**

**Investments**

Authorized Investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

During the year, the District invested in Colostrust (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and repurchase agreements collateralized by certain obligations of U.S. government agencies. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. As of June 30, 2015, the District had invested \$73,036 in COLOTRUST PRIME and \$622,446 invested in COLOTRUST PLUS+. The District also invested in certificate of deposits.

<u>Investment type</u>	<u>Fair value</u>	<u>Investment maturities (in years)</u>		
		<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>
Investment in Colostrust	\$ 695,482	\$ 695,482	\$ -	\$ -

The investment in Colostrust is maintained in the General Fund and the investment in certificate of deposits is maintained in the General Fund and Scholarship Trust Fund.

Credit risk – State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the highest rating from at least one nationally recognized rating agency at the time of purchase. The District has no investment policy that would further limit its investment choices. At year-end, the District’s investment in Colostrust was rated AAA by Standard and Poor’s.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note B – Cash and investments (Continued)**

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 972,543
Certificates of deposit	68,140
Investments in Colotrust	<u>695,482</u>
Total	<u>\$ 1,736,165</u>
 <u>Statement of net position</u>	
Cash	\$ 971,642
Certificates of deposit	63,140
Investments in Colotrust	<u>695,482</u>
Subtotal	1,730,264
 <u>Statement of fiduciary net position</u>	
Cash	901
Certificates of deposit	<u>5,000</u>
Subtotal	<u>5,901</u>
Total	<u>\$ 1,736,165</u>

**Note C – Receivables**

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 22,695
Grants receivable	2,154
Other receivables	<u>4,700</u>
Total	<u>\$ 29,549</u>

Property taxes are levied on December 15<sup>th</sup> and attach as a lien on property the following January 1<sup>st</sup>. They are payable in full by April 30<sup>th</sup> or are due in two equal installments on February 28<sup>th</sup> and June 15<sup>th</sup>. Washington County bills and collects property taxes for all taxing entities within the counties. The tax receipts collected by the counties are remitted to the District in the subsequent month.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note D – Interfund transactions**

The following is a summary of interfund transactions for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 2,075	\$ -
Other governmental funds	<u>-</u>	<u>595</u>
Subtotal	2,075	595
<u>Fiduciary funds</u>		
Private-purpose trust fund	<u>-</u>	<u>1,480</u>
Total	<u>\$ 2,075</u>	<u>\$ 2,075</u>

All balances resulted from the lag time between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. Interfund receivables and payables are eliminated through the transfer of funds from one fund to another.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental funds</u>		
General fund	\$ -	\$ 25,000
Other governmental funds	<u>25,000</u>	<u>-</u>
Total	<u>\$ 25,000</u>	<u>\$ 25,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. The District transferred funds in the amount of \$25,000 from the General Fund to the Other Governmental Funds to subsidize the costs of maintaining the District's food service operations.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note E – Capital assets**

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 29,645	\$ -	\$ -	\$ 29,645
Total capital assets, not being depreciated	29,645	-	-	29,645
Capital assets, being depreciated:				
Buildings and improvements	2,019,435	8,000	-	2,027,435
Other equipment	91,763	9,061	-	100,824
Licensed vehicles	<u>441,774</u>	<u>90,829</u>	<u>-</u>	<u>532,603</u>
Total capital assets, being depreciated	<u>2,552,972</u>	<u>107,890</u>	<u>-</u>	<u>2,660,862</u>
Total capital assets	2,582,617	107,890	-	2,690,507
Less accumulated depreciation for:				
Buildings and improvements	(994,540)	(37,431)	-	(1,031,971)
Other equipment	(58,819)	(5,608)	-	(64,427)
Licensed vehicles	<u>(342,583)</u>	<u>(29,797)</u>	<u>-</u>	<u>(372,380)</u>
Total accumulated depreciation	<u>(1,395,942)</u>	<u>(72,836)</u>	<u>-</u>	<u>(1,468,778)</u>
Governmental activities capital assets, net	<u>\$ 1,186,675</u>	<u>\$ 35,054</u>	<u>\$ -</u>	<u>\$ 1,221,729</u>

Depreciation expense was charged to programs of the District as follows:

Governmental activities	
Operations and maintenance	\$ 3,966
Student transportation	31,077
Food service operations	1,614
Unallocated	<u>36,179</u>
Total depreciation expense	<u>\$ 72,836</u>

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note F – Accrued salaries and benefits**

Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from September to August, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned but not paid at year-end are estimated to be \$115,139. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

**Note G – Long-term debt**

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
<b>Governmental Activities</b>					
Compensated absences	\$ 19,164	\$ 10,423	\$ -	\$ 29,587	\$ -
CDE repayment	25,281	-	-	25,281	-
Capital lease obligation	-	90,842	(18,691)	72,151	18,829
Net pension liability	<u>2,681,194</u>	<u>292,445</u>	<u>-</u>	<u>2,973,639</u>	<u>-</u>
 Total	 <u>\$ 2,725,639</u>	 <u>\$ 393,710</u>	 <u>\$ (18,691)</u>	 <u>\$ 3,100,658</u>	 <u>\$ 18,829</u>

The capital lease obligation, net pension liability and compensated absences attributable to the governmental activities will be liquidated primarily by the General Fund, as well as the amount payable to the Colorado Department of Education related to an audit through fiscal year 2013. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

**Colorado Department of Education repayments**

On June 27, 2015 the District received the results of an audit for fiscal years 2009 through 2013, which resulted in an amount due and payable to the Colorado Department of Education of \$25,281. In accordance with Colorado Revised Statutes 22-2-113(II)(A)&(B), audits that begin on or after July 1, 2007 shall not recover an interest fee for the period that is equal to the number of years and any fraction of a year between the settlement date of the current audit and the settlement date of the proceeding audit. The District intends to make payment in satisfaction of the audit in fiscal year 2019 as allowed by the statute.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note G – Long-term debt (Continued)**

**Capital lease obligations**

Transportation vehicle lease obligation – In July 2015, the District entered into an agreement with De Lage Landen Public Finance LLC to purchase a 2015 Blue Bird 14 passenger bus. The agreement called for a lease term of three years with annual renewal options. Annual payments of \$13,593 are due on July 10th of each year, with a final payment due in fiscal year 2018. The average interest rate over the lease term is 2.79%. The District has capitalized \$54,829 of assets under this capital lease.

Transportation vehicle lease obligation – In September 2015, the District entered into an agreement with Farmers State Bank of Brush to purchase a 2016 Ford Expedition. The agreement called for a lease term of five years with annual renewal options. Monthly payments of \$640 are due on 1st of each month, with a final payment due in fiscal year 2021. The average interest rate over the lease term is 2.56%. The District has capitalized \$36,000 of assets under this capital lease.

The following is a schedule by years of future minimum lease payments under the capital leases above, together with the present value of the net minimum lease payments at year-end:

<u>Year ended June 30,</u>	<u>Debt service requirement</u>
2017	\$ 20,638
2018	21,279
2019	24,135
2020	7,685
2021	<u>2,561</u>
Total minimum lease payments	76,298
Less amount representing interest	<u>4,147</u>
Present value of future net minimum lease payments	<u>\$ 72,151</u>

**Note H – Defined benefit pension plan**

Summary of significant accounting policies

*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).

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

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.

General information about the pension plan

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

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

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

- \$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, 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% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – 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. Section 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:

	For the Year Ended December 31, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>17.33%</u></u>	<u><u>18.13%</u></u>

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 \$160,812 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$2,973,639 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's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

At December 31, 2015, the District's proportion was 0.0194 percent, which was an decrease of 0.0003 percent from its proportion measured as of December 31, 2014.

For the year ended, the District recognized pension expense of \$347,800. At year-end, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 39,267	\$ 124
Changes of assumptions or other inputs	-	42,023
Net difference between projected and actual earnings on pension plan investments	252,843	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	70,146	32,622
Contributions subsequent to the measurement date	<u>83,604</u>	<u>N/A</u>
Total	<u>\$ 445,860</u>	<u>\$ 74,769</u>

\$83,604 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, _____</u>	<u>Amount</u>
2017	\$ 94,787
2018	82,429
2019	58,422
2020	<u>51,849</u>
Totals	<u>\$ 287,487</u>

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and 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.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

- 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.

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 November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
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 government 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	 <u>100.00%</u>	

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%.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note H – Defined benefit pension plan (Continued)**

*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 estimate future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits 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.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

**Note H – Defined benefit pension plan (Continued)**

- 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 <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ <u>3,854,705</u>	\$ <u>2,973,639</u>	\$ <u>2,240,756</u>

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

**Note I – Defined contribution pension plan**

Voluntary Investment Program

*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 of the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note I – Defined contribution pension plan (Continued)**

*Funding policy.* The 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. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year, program members contributed \$1,527 for the Voluntary Investment Program.

**Note J – Other postemployment benefits**

Health Care Trust Fund

*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 financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Funding policy.* The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$8,746, \$8,762 and \$8,018, respectively, equal to their required contributions for each year.

**Note K – Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$33,340.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note K – Risk management (Continued)**

The District continues to carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

**Note L – Commitments and contingencies**

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. During the year ended June 30, 2002, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$56,000 for the emergency reserve.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to Financial Statements**

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**Note M -- Joint venture**

The District participates in the East Central Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,
- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients or services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

The District has one member on the board. The board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the East Central Board of Cooperative Educational Services are available by contacting their administrative office in Limon, Colorado.

For the year, the District's contribution was \$60,114.



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### **Required Supplementary Information**

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 890,564	\$ 890,564	\$ 1,020,114	\$ 129,550
Intermediate sources	100	100	118	18
State sources	940,293	940,293	960,491	20,198
Federal sources	31,852	31,852	33,829	1,977
Total revenues	1,862,809	1,862,809	2,014,552	151,743
Expenditures				
Instruction	912,526	902,286	880,228	22,058
Supporting services	876,625	926,625	990,352	(63,727)
Debt service				
Principal retirement			18,690	(18,690)
Interest and fiscal charges			667	(667)
Appropriated reserves	1,248,977	1,343,921		1,343,921
Total expenditures	3,038,128	3,172,832	1,889,937	1,282,895
Excess of revenues over (under) expenditures	(1,175,319)	(1,310,023)	124,615	1,434,638
Other financing sources (uses)				
Capital lease proceeds			90,842	90,842
Transfers out	(20,000)	(20,000)	(25,000)	(5,000)
Total other financing sources (uses)	(20,000)	(20,000)	65,842	85,842
Excess of revenues over (under) expenditures and other financing sources (uses)	<u>\$ (1,195,319)</u>	<u>\$ (1,330,023)</u>	190,457	<u>\$ 1,520,480</u>
Fund balance at beginning of year			1,340,231	
Fund balance at end of year			<u>\$ 1,530,688</u>	

**ARICKAREE SCHOOL DISTRICT R-2**

**Schedule of the District's Proportionate Share of the Net Pension Liability <sup>1</sup>  
June 30, 2016**

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	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.01944280%	0.01978251%
District's proportionate share of the net pension liability	\$ 2,973,639	\$ 2,681,194
District's covered-employee payroll	\$ 857,418	\$ 859,007
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	346.81%	312.13%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.8%

<sup>1</sup> Information for the prior eight years was not available to report. In future reports, additional years will be added until 10 years of historical data are presented.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Schedule of District Contributions <sup>1</sup>**  
**June 30, 2016**

	June 30, 2016	June 30, 2015
Contractually required contribution	\$ 160,812	\$ 153,736
Contributions in relation to the contractually required contribution	<u>(160,812)</u>	<u>(153,736)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 857,418	\$ 859,007
Contributions as a percentage of covered-employee payroll	18.76%	17.90%

<sup>1</sup> Information for the prior eight years was not available to report. In future reports, additional years will be added until 10 years of historical data are presented.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Notes to the Required Supplementary Information**

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**Note A – Budgetary data**

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools submits to the board of education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. Supplemental appropriations were made during the year.
8. Appropriations lapse at year-end.

**Note B – Factors affecting trends in amounts reported in the pension schedules**

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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### **Other Supplementary Information**

Other supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.



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## **Budgetary Comparison Schedules - General Fund**

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Revenues**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 762,785	\$ 762,785	\$ 763,371	\$ 586
Specific ownership taxes	52,464	52,464	93,878	41,414
Delinquent taxes and interest	700	700	2,323	1,623
Earnings on investments	1,115	1,115	3,227	2,112
Other local revenue	73,500	73,500	157,315	83,815
Total local sources	890,564	890,564	1,020,114	129,550
Intermediate sources	100	100	118	18
State sources				
Equalization	864,424	864,424	869,624	5,200
Transportation	50,000	50,000	35,316	(14,684)
ELPA professional development	4,000	4,000	6,370	2,370
English language proficiency	2,000	2,000	4,253	2,253
READ Act	800	800	1,812	1,012
State grants to libraries	3,000	3,000	3,500	500
Small rural schools			27,479	27,479
Additional at-risk funding			487	487
Services within the BOCES	16,069	16,069	11,650	(4,419)
Total state sources	940,293	940,293	960,491	20,198
Federal sources				
REAP	15,437	15,437	15,437	-
Services within the BOCES	16,415	16,415	18,392	1,977
Total federal sources	31,852	31,852	33,829	1,977
Total revenues	\$ 1,862,809	\$ 1,862,809	\$ 2,014,552	\$ 151,743

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**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
<b>Expenditures</b>				
<b>Instruction</b>				
Salaries	\$ 583,901	\$ 573,661	\$ 563,957	\$ 9,704
Employee benefits	227,575	227,575	204,639	22,936
Purchased services	47,700	47,700	50,986	(3,286)
Supplies and materials	40,250	40,250	38,375	1,875
Property	10,000	10,000	18,206	(8,206)
Other	3,100	3,100	4,065	(965)
<b>Total instruction</b>	<b>912,526</b>	<b>902,286</b>	<b>880,228</b>	<b>22,058</b>
<b>Supporting services</b>				
<b>Students</b>				
Salaries	22,830	22,830	26,597	(3,767)
Employee benefits	9,000	9,000	9,818	(818)
Purchased services	13,200	13,200	4,793	8,407
Supplies and materials			373	(373)
<b>Total students</b>	<b>45,030</b>	<b>45,030</b>	<b>41,581</b>	<b>3,449</b>
<b>Instructional staff</b>				
Salaries	7,610	7,610	8,866	(1,256)
Employee benefits	4,000	4,000	4,062	(62)
Purchased services	500	500	1,564	(1,064)
Supplies and materials	5,200	5,200	6,801	(1,601)
<b>Total instructional staff</b>	<b>17,310</b>	<b>17,310</b>	<b>21,293</b>	<b>(3,983)</b>
<b>General administration</b>				
Salaries	105,000	105,000	109,780	(4,780)
Employee benefits	25,000	25,000	27,338	(2,338)
Purchased services	140,050	140,050	221,977	(81,927)
Supplies and materials	5,250	5,250	3,984	1,266
Other	9,500	9,500	8,560	940
<b>Total general administration</b>	<b>284,800</b>	<b>284,800</b>	<b>371,639</b>	<b>(86,839)</b>

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	45,000	45,000	41,752	3,248
Employee benefits	26,000	26,000	24,263	1,737
Purchased services	300	300	400	(100)
Supplies and materials	1,000	1,000	691	309
Total school administration	72,300	72,300	67,106	5,194
Business services				
Salaries	24,000	24,000	23,813	187
Employee benefits	12,500	12,500	11,383	1,117
Purchased services	500	500	498	2
Supplies and materials	500	500	29	471
Other	2,600	2,600	2,053	547
Total business services	40,100	40,100	37,776	2,324
Operations and maintenance				
Salaries	41,500	41,500	30,358	11,142
Employee benefits	12,075	12,075	13,670	(1,595)
Purchased services	37,300	37,300	39,222	(1,922)
Supplies and materials	111,500	111,500	92,457	19,043
Total operations and maintenance	202,375	202,375	175,707	26,668
Student transportation				
Salaries	48,000	48,000	35,545	12,455
Employee benefits	32,000	32,000	18,943	13,057
Purchased services	17,500	17,500	16,262	1,238
Supplies and materials	65,000	65,000	37,302	27,698
Property		50,000	90,830	(40,830)
Total student transportation	162,500	212,500	198,882	13,618

(continued)

**ARICKAREE SCHOOL DISTRICT R-2**  
**General Fund**  
**Budgetary Comparison Schedule - Expenditures**  
**For the Year Ended June 30, 2016**

(continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	48,130	48,130	54,503	(6,373)
Supplies and materials	4,080	4,080	21,865	(17,785)
Total central support services	52,210	52,210	76,368	(24,158)
Total supporting services	876,625	926,625	990,352	(63,727)
Debt Service				
Principal retirement			18,690	(18,690)
Interest and fiscal charges			667	(667)
Total debt service	-	-	19,357	(19,357)
Appropriated reserves	1,248,977	1,343,921		1,343,921
Total expenditures	<u>\$ 3,038,128</u>	<u>\$ 3,172,832</u>	<u>\$ 1,889,937</u>	<u>\$ 1,282,895</u>

## **Budgetary Comparison Schedules - Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.
- Pupil Activity Fund – This fund is used to record transactions related to school-sponsored pupil organizations and activities.



**ARICKAREE SCHOOL DISTRICT R-2**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**June 30, 2016**

	Food Service Fund	Pupil Activity Fund	Totals
<b>Assets</b>			
Cash	\$ 8,448	\$ 85,927	\$ 94,375
Inventories	4,160		4,160
<b>Total assets</b>	<u>\$ 12,608</u>	<u>\$ 85,927</u>	<u>\$ 98,535</u>
<b>Liabilities</b>			
Accrued salaries and benefits	\$ 5,627		\$ 5,627
Due to other funds		\$ 595	595
<b>Total liabilities</b>	5,627	595	6,222
<b>Fund balance</b>			
Nonspendable inventories	4,160		4,160
Restricted for food service operations	2,821		2,821
Committed to pupil activities		85,332	85,332
<b>Total fund balance</b>	<u>6,981</u>	<u>85,332</u>	<u>92,313</u>
<b>Total liabilities and fund balance</b>	<u>\$ 12,608</u>	<u>\$ 85,927</u>	<u>\$ 98,535</u>

**ARICKAREE SCHOOL DISTRICT R-2**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the Year Ended June 30, 2016**

	Food Service Fund	Pupil Activity Fund	Totals
Revenues			
Local sources	\$ 41,153	\$ 108,328	\$ 149,481
State sources	1,529		1,529
Federal sources	37,358		37,358
Total revenues	80,040	108,328	188,368
Expenditures			
Instruction		117,356	117,356
Supporting services	103,008		103,008
Total expenditures	103,008	117,356	220,364
Excess of revenues over (under) expenditures	(22,968)	(9,028)	(31,996)
Other financing sources			
Transfers in	25,000		25,000
Excess of revenues and other financing sources over (under) expenditures	2,032	(9,028)	(6,996)
Fund balance at beginning of year	4,949	94,360	99,309
Fund balance at end of year	\$ 6,981	\$ 85,332	\$ 92,313

**ARICKAREE SCHOOL DISTRICT R-2**  
**Food Service Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 34,250	\$ 34,250	\$ 41,153	\$ 6,903
State sources	1,600	1,600	1,529	(71)
Federal sources	39,300	39,300	37,358	(1,942)
Total revenues	75,150	75,150	80,040	4,890
Food service operations				
Salaries	29,500	29,500	29,162	338
Employee benefits	7,700	7,700	7,444	256
Purchased services	500	500		500
Supplies and materials	73,300	73,300	66,402	6,898
Property	200	200		200
Appropriated reserves	8,847	12,625		12,625
Total expenditures	120,047	123,825	103,008	20,817
Excess of revenues over (under) expenditures	(44,897)	(48,675)	(22,968)	25,707
Other financing sources				
Transfers in	20,000	20,000	25,000	5,000
Excess of revenues and other financing sources over (under) expenditures	\$ (24,897)	\$ (28,675)	2,032	\$ 30,707
Fund balance at beginning of year			4,949	
Fund balance at end of year			\$ 6,981	

**ARICKAREE SCHOOL DISTRICT R-2**  
**Pupil Activity Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Pupil activities	\$ 150,000	\$ 150,000	\$ 108,328	\$ (41,672)
Total revenues	150,000	150,000	108,328	(41,672)
Expenditures				
Pupil activities	150,000	150,000	117,356	32,644
Total expenditures	150,000	150,000	117,356	32,644
Excess or revenues over (under) expenditures	\$ -	\$ -	(9,028)	\$ (9,028)
Fund balance at beginning of year			94,360	
Fund balance at end of year			\$ 85,332	

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## **Budgetary Comparison Schedule – Fiduciary Fund**

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Private-purpose trust funds – These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Scholarship Trust Fund – This fund is used to record the financial transactions related to the administration of a scholarship trust that is used to award scholarships to area students.

**ARICKAREE SCHOOL DISTRICT R-2**  
**Scholarship Trust Fund**  
**Budgetary Comparison Schedule**  
**For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Contributions and earnings	\$ 610	\$ 610	\$ 161	\$ (449)
Total revenues	610	610	161	(449)
Expenditures				
Scholarship awards	600	600	150	450
Appropriated reserves		150		150
Total expenditures	600	750	150	600
Excess of revenues over (under) expenditures	\$ 10	\$ (140)	11	\$ 151
Net position at beginning of year			5,160	
Net position at end of year			\$ 5,171	

**Colorado Department of Education  
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.



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**Independent Auditors' Report on Auditors' Integrity Report**

Board of Education  
Arickaree School District R-2  
Anton, Colorado

We have audited the financial statements of the Arickaree School District R-2 (the District) as of and for the year ended June 30, 2016, and our report thereon dated October 3, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Lauer, Szabo & Associates, P.C.*

Sterling, Colorado  
October 3, 2016

**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 3040 - ARICKAREE R-2  
 Fiscal Year 2015-16  
 Colorado School District/BOCES

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

Fund Type & Number	Big Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>				
10 General Fund	1,323,110	2,005,049	1,813,570	1,525,289
18 Risk Mgmt Sub-Fund of General Fund	6,421	75,352	76,367	5,106
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub-Total</b>	<b>1,340,231</b>	<b>2,080,395</b>	<b>1,889,937</b>	<b>1,530,395</b>
11 Charter School Fund	0	0	0	0
20.26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	4,949	105,040	103,008	6,981
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	94,160	108,229	117,356	85,332
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
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	0	0	0	0
<b>Totals</b>	<b>1,403,540</b>	<b>2,291,763</b>	<b>2,118,300</b>	<b>1,615,727</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	5,160	161	150	5,171
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34 Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>5,160</b>	<b>161</b>	<b>150</b>	<b>5,171</b>

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.