

GARFIELD COUNTY SCHOOL DISTRICT

Financial Statements

Year Ended June 30, 2016

GARFIELD COUNTY SCHOOL DISTRICT
Table of Contents
Year Ended June 30, 2016

	Page
Independent Auditor's Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds	13
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	17
Statement of Fiduciary Fund Assets and Liabilities - <i>Agency Fund</i>	18
Notes to the Basic Financial Statements	19
Required Supplementary Information:	
Schedules of the District's Proportionate Share of Net Pension Liability (Asset) - Utah Retirement Systems	34
Schedules of District Contributions - Utah Retirement Systems	35
Notes to the Required Supplementary Information	36
Combining and Individual Fund Statements and Schedules:	
Major Funds:	
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>General Fund</i>	37
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Capital Projects Fund</i>	38
Nonmajor Special Revenue Funds:	
Combining Balance Sheet - Nonmajor Governmental Funds	39
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	40
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>School Lunch Fund</i>	41
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Non K-12 Programs Fund</i>	42
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - <i>Student Activities Fund</i>	43

GARFIELD COUNTY SCHOOL DISTRICT
Table of Contents
Year Ended June 30, 2016

Page

Fiduciary Funds:

Statement of Changes in Assets and Liabilities 44

Other Information:

Comparative Statements of Net Position - Governmental Activities 45

Comparative Statements of Activities - Governmental Activities 46

Comparative Balance Sheets - *General Fund* 47

Comparative Statements of Revenue, Expenditures, and Changes in Fund Balances - *General Fund* 48

General Fund Expenditures Per Student 49

Historical Summaries of Taxable Values on Property 50

Tax Rates and Revenue 51



Independent Auditor's Report

Board of Education
Garfield County School District

Report on the Basic Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District (the District) as of and for the year ended June 30, 2016, and the related notes to the basic financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Basic Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedules of the District's proportionate share of the net pension liability (asset) – Utah Retirement Systems, the schedules of District contributions – Utah Retirement Systems, and the related notes to the supplementary information 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and 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 combining and individual fund statements and schedules and other information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The other information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Aguirre & Company, PC

Orem, Utah
November 14, 2016

Management's Discussion and Analysis

This section of the financial report of Garfield County School District (the District) presents management's discussion and analysis of the District's financial performance during the year ended June 30, 2016.

Financial Highlights

- The District's net position was \$22.2 million at the close of the most recent fiscal year.
- During the year, expenses were \$2.4 million less than the \$13.8 million generated in taxes and other revenues for governmental activities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains information in addition to the basic financial statements themselves.

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

The *statement of net position* presents information on all of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the District, with the remainder being reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net position of the District changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (such as, uncollected taxes and earned but unused sick leave).

The government-wide financial statements of the District are reported as *governmental activities*. The District's basic services are included here, such as instruction, various supporting services, food services, and interest on long-term liabilities. Property taxes and state and federal grants finance most of these activities.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements – A *fund* is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the District are categorized as governmental and fiduciary funds.

- **Governmental funds** – *Governmental funds* are used to 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 inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

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 funds with similar 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 statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains five 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* and the *capital projects fund*, each of which are considered to be major funds. Data from the other three governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the governmental funds is provided in the *combining and individual statements and schedules* section of this report.

The District adopts an annual appropriated budget for its *general fund*. A budgetary comparison statement has been provided for the *general fund* to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13 through 17 of this report.

- **Fiduciary funds** – *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The District maintains one fiduciary fund.

The basic fiduciary fund financial statements can be found on page 18 of this report.

Notes to the basic financial statements – The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 19 through 33 of this report.

Additional information – In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligation to provide pension benefits to its employees. This required supplementary information and the related notes to the required supplementary information can be found on pages 34 to 36 of this report.

The individual and combining statements referred to earlier in connection with governmental funds are presented as supplementary information on pages 37 through 44 of this report.

To provide comparative data, selected financial, tax, and demographic information is provided as other information. This other information can be found on pages 45 through 51 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$22.2 million at the close of the most recent fiscal year.

GARFIELD COUNTY SCHOOL DISTRICT'S Net Position June 30, 2016 and 2015 (in millions of dollars)

	<u>Governmental activities</u>		<u>Total</u>
	<u>2016</u>	<u>2015</u>	<u>change</u> <u>2016-2015</u>
Current and other assets	\$ 19.0	\$ 16.8	\$ 2.2
Capital assets	11.9	12.1	(0.2)
Total assets	<u>30.9</u>	<u>28.9</u>	<u>2.0</u>
Deferred outflows of resources	<u>1.9</u>	<u>0.5</u>	<u>1.4</u>
Current and other liabilities	1.0	1.2	(0.2)
Long-term liabilities outstanding	<u>5.2</u>	<u>4.1</u>	<u>1.1</u>
Total liabilities	<u>6.2</u>	<u>5.3</u>	<u>0.9</u>
Deferred inflows of resources	<u>4.4</u>	<u>4.3</u>	<u>0.1</u>
Net position:			
Net investment in capital assets	11.9	12.1	(0.2)
Restricted	5.4	4.3	1.1
Unrestricted	<u>4.9</u>	<u>3.4</u>	<u>1.5</u>
Total net position	<u>\$ 22.2</u>	<u>\$ 19.8</u>	<u>\$ 2.4</u>

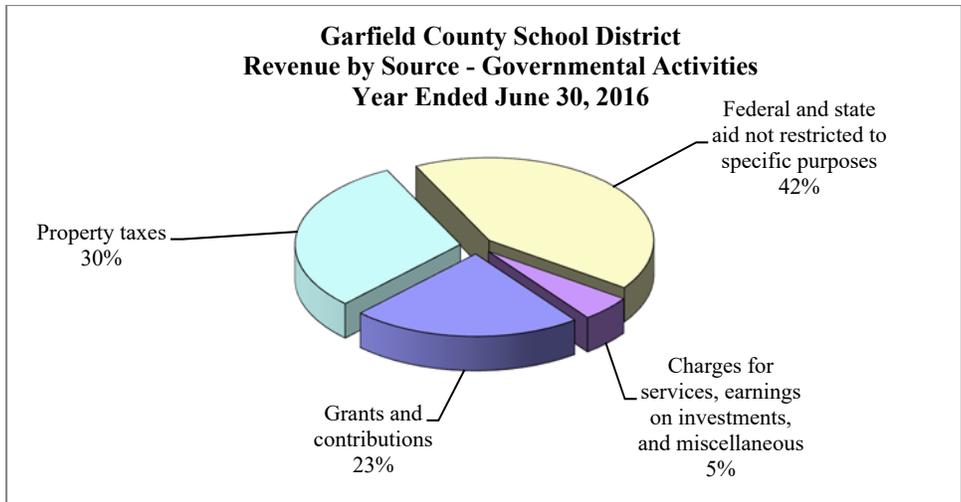
- The largest portion of the District's net position (\$11.9 million) reflects its investment in capital assets (e.g., land, buildings and improvements, and equipment and buses, net of accumulated depreciation), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.
- An additional portion of the District's net position (\$5.4 million) represents resources that are subject to external restrictions on how they may be used. The majority of the restricted balance is for capital outlay. Restricted net position increased by \$1.1 million during the year ended June 30, 2016. This increase resulted primarily from the receipt of capital local taxes in anticipation of future capital outlay needs.
- The remaining net position (\$4.9 million) is unrestricted. This balance is net of the District's proportionate share of the unfunded obligation of the defined benefit pension plans administered by the Utah Retirement Systems.

Governmental activities – The District’s net position increased by \$2.4 million during the current year from activities. The following discussion and analysis on governmental activities focuses on this increase.

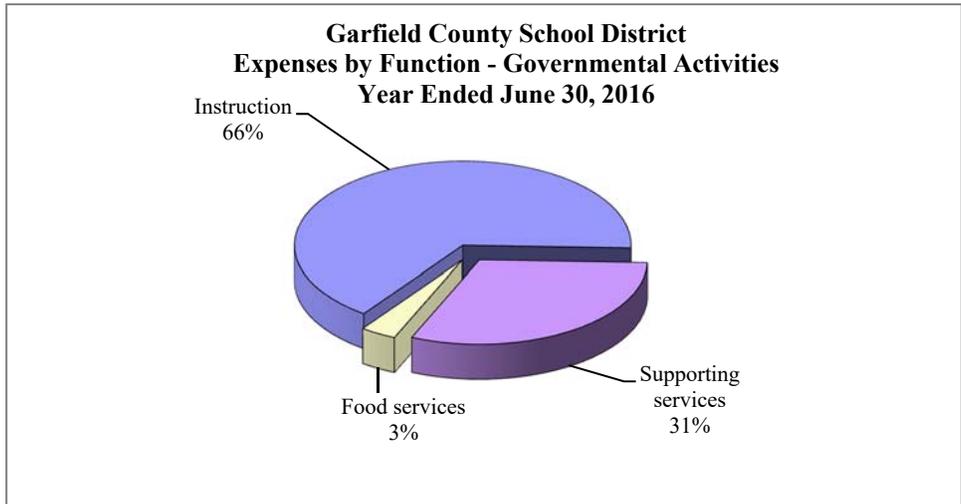
GARFIELD COUNTY SCHOOL DISTRICT'S Changes in Net Position
Years Ended June 30, 2016 and 2015
(in millions of dollars)

	<u>Governmental activities</u>		Total
	<u>2016</u>	<u>2015</u>	change
			2016-2015
Revenues:			
Program revenues:			
Charges for services	\$ 0.5	\$ 0.6	\$ (0.1)
Operating grants and contributions	3.0	2.9	0.1
Capital grants and contributions	0.1	0.1	-
General revenues:			
Property taxes	4.2	4.6	(0.4)
Federal and state aid not restricted to specific purposes	5.8	5.4	0.4
Earnings on investments and miscellaneous	0.2	0.1	0.1
Total revenues	<u>13.8</u>	<u>13.7</u>	<u>0.1</u>
Expenses:			
Instruction	7.2	7.1	0.1
Supporting services:			
Students	0.3	0.3	-
Instructional staff	0.1	0.1	-
District administration	0.4	0.4	-
School administration	0.9	0.9	-
Business	0.5	0.4	0.1
Operation and maintenance of facilities	1.1	1.1	-
Student transportation	0.5	0.5	-
Food services	0.4	0.3	0.1
Total expenses	<u>11.4</u>	<u>11.1</u>	<u>0.3</u>
Increase in net position	2.4	2.6	(0.2)
Net position - beginning	<u>19.8</u>	<u>17.2</u>	<u>2.6</u>
Net position - ending	<u>\$ 22.2</u>	<u>\$ 19.8</u>	<u>\$ 2.4</u>

- Revenues totaled \$13.8 million for the year ended June 30, 2016. Of this amount \$4.2 million is from property taxes and \$8.8 million is from state and federal sources. Also, total expenses were \$11.4 million during the same period. Of this amount \$7.2 million was spent on instruction and \$3.8 million was spent on supporting services.
- State aid is based primarily on weighted pupil units (WPU) and other appropriations. If a student is in membership a full 180 days, the state awards the District one WPU. Certain students receive a weighting greater than one. The state guarantees that if local taxes do not provide money equal to the WPU, the state will make up the difference with state funding. The value of the WPU increased by 4.0% during the year ended June 30, 2016 (\$3,092 during 2016 as compared to \$2,972 in 2015). State aid increased \$0.5 million during the year.



- Instruction represents the largest dollar portion of expense of \$7.2 million primarily for teacher salaries and related benefits.



Financial Analysis of the District'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. As the District completed the year, its governmental funds reported a combined fund balance of \$13.8 million, \$2.4 million more than the previous year. Included in this year's change in the combined fund balance is an increase in the *general fund* of \$2.2 million primarily due to increased state revenue and a transfer of residual resources from the *non k-12 programs fund*. The *capital projects fund* had an increase in fund balance of \$1.2 million primarily due to not spending tax revenue restricted for capital outlay. In addition, the following other changes in fund balances should be noted:

- Expenditures for general District purposes totaled \$9.3 million. Instruction represents 61.3% of *general fund* expenditures.

- *General fund* salaries totaled \$5.1 million while the associated employee benefits of retirement, social security, and insurance (health and accident, industrial, and unemployment) added \$2.7 million to arrive at 84.6% of total *general fund* expenditures.

Governmental funds report the differences between their assets and liabilities and deferred inflows of resources as fund balance, which is divided into nonspendable, restricted, and unrestricted portions. *Nonspendable* includes inventories that are not expected to be converted to cash. *Restricted* includes net fund resources of the District that are subject to external constraints due to state or federal laws, or externally imposed conditions by grantors or creditors. Restrictions include tax revenues levied for specific purposes. *Committed* balances reflect the District's self-imposed limitation on the use of otherwise available expendable financial resources in governmental funds. *Assigned* balances in the *general fund* and other governmental funds are those that do not meet the requirements of restricted or committed but that are intended to be used for specific purposes. *Unassigned* balances in the *general fund* are all other available net fund resources. At June 30, 2016, the District's combined governmental fund balance is \$13.8 million (\$4.3 million in restricted, \$1.6 million in committed, \$2.3 million in assigned, and \$5.6 million in unassigned fund balances).

General Fund Budgetary Highlights

During the year, the Board revised the District's budget. Budget amendments were to reflect changes in programs and related funding. The difference between the original budget and the final amended budget was a decrease of \$0.2 million in total *general fund* expenditures. During the year, final budgeted revenues increased by \$0.4 million to reflect anticipated increases in property taxes and state and federal revenue.

Even with these adjustments, actual expenditures were \$0.3 million less than final budgeted amounts. Other variances normally result from expenditure-driven federal and state grants that are included in the budgets at their full amounts. Such grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; unspent grant amounts are carried forward and included in the succeeding year's budget. Therefore, actual grant revenues and expenditures are normally less than the amounts budgeted.

Capital Asset Administration

The District's investment in capital assets for its governmental activities as of June 30, 2016 amounts to \$11.9 million (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and equipment and buses. The total decrease in capital assets for the current year was \$0.2 million or 1.70%, primarily from depreciation.

Capital assets at June 30, 2016 and 2015 are outlined below:

GARFIELD COUNTY SCHOOL DISTRICT'S Capital Assets
June 30, 2016 and 2015
(net of accumulated depreciation, in millions of dollars)

	Governmental activities		Total
	2016	2015	change
			2016-2015
Land	\$ 0.1	\$ 0.1	\$ -
Buildings and improvements	10.8	11.2	(0.4)
Equipment and buses	1.0	0.8	0.2
Total capital assets	\$ 11.9	\$ 12.1	\$ (0.2)

Additional information on the District's capital assets can be found in Note 5 to the basic financial statements.

Enrollment

The District anticipates student enrollment to remain relatively constant. The following enrollment information is based on the annual October 1 counts:

GARFIELD COUNTY SCHOOL DISTRICT'S Enrollment
October 1 Count

School Year	Enrollment	Change
2016-17	904	-2.0%
2015-16	922	-0.4%
2014-15	926	-0.4%
2013-14	930	-1.9%
2012-13	948	2.3%
2011-12	927	0.2%
2010-11	925	-0.6%
2009-10	931	2.2%
2008-09	911	-2.4%
2007-08	933	-0.5%

Contacting the District's Management

This financial report is designed to provide our citizens, taxpayers, students, and investors and creditors with a general overview of Garfield County School District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Office of the Business Administrator at Garfield County School District, 145 East Center Street, Panguitch, Utah 84759.

Basic Financial Statements

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Net Position
June 30, 2016

	Governmental Activities
Assets:	
Cash and investments	\$ 14,371,586
Receivables:	
Property taxes	4,225,344
Local	8,186
State of Utah	28,339
Federal government	345,326
Inventories	4,808
Net pension asset	99
Capital assets:	
Land	116,940
Buildings and other capital assets, net of accumulated depreciation	11,762,969
Total assets	30,863,597
Deferred outflows of resources:	
Related to pensions	1,913,829
Liabilities:	
Accounts and contracts payable	68,839
Accrued salaries and benefits	937,206
Unearned revenue:	
State	64,712
Long-term liabilities:	
Portion due or payable within one year	90,630
Portion due or payable after one year	5,085,892
Total liabilities	6,247,279
Deferred inflows of resources:	
Property taxes levied for future year	3,912,362
Related to pensions	460,689
Total deferred inflows of resources	4,373,051
Net position:	
Investment in capital assets	11,879,909
Restricted for:	
Capital outlay	4,360,696
Students	212,581
Recreation	772,243
Unrestricted	4,931,667
Total net position	\$ 22,157,096

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

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Activities
Year Ended June 30, 2016

Activities / Functions	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Total Governmental Activities
Governmental activities:					
Instruction	\$ 7,256,936	\$ 418,893	\$ 2,216,553	\$ 50,000	\$ (4,571,490)
Supporting services:					
Students	269,574	-	219,272	-	(50,302)
Instructional staff	57,610	-	24,656	-	(32,954)
District administration	383,553	-	-	-	(383,553)
School administration	909,569	-	-	-	(909,569)
Business	553,698	-	47,001	-	(506,697)
Operation and maintenance of facilities	1,076,269	1,227	-	-	(1,075,042)
Student transportation	478,350	-	263,362	-	(214,988)
Food services	392,393	72,003	236,413	-	(83,977)
Contributions to other governments	6,603	-	-	-	(6,603)
Interest on long-term liabilities	9,888	-	-	-	(9,888)
Total school district	<u>\$ 11,394,443</u>	<u>\$ 492,123</u>	<u>\$ 3,007,257</u>	<u>\$ 50,000</u>	<u>(7,845,063)</u>
General revenues:					
Property taxes levied for:					
Basic					1,123,850
Board local					81,570
Voted local					1,033,216
Capital local					1,942,136
Total property taxes					4,180,772
Federal and state aid not restricted to specific purposes					5,792,117
Earnings on investments					88,632
Miscellaneous					95,498
Total general revenues					10,157,019
Change in net position					2,311,956
Net position - beginning					19,845,140
Net position - ending					<u>\$ 22,157,096</u>

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

GARFIELD COUNTY SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2016

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>		
Assets:				
Cash and investments	\$ 9,896,921	\$ 4,231,109	\$ 243,556	\$ 14,371,586
Receivables:				
Property taxes	2,275,648	1,949,696	-	4,225,344
Local	8,186	-	-	8,186
State	8,390	-	19,949	28,339
Federal	345,326	-	-	345,326
Due from other funds	53,145	-	-	53,145
Inventories	-	-	4,808	4,808
Total assets	<u>\$ 12,587,616</u>	<u>\$ 6,180,805</u>	<u>\$ 268,313</u>	<u>\$ 19,036,734</u>
Liabilities:				
Accounts and contracts payable	\$ 51,420	\$ 14,832	\$ 2,587	\$ 68,839
Accrued salaries and benefits	937,206	-	-	937,206
Due to other funds	-	-	53,145	53,145
Unearned revenue:				
State	64,712	-	-	64,712
Total liabilities	<u>1,053,338</u>	<u>14,832</u>	<u>55,732</u>	<u>1,123,902</u>
Deferred inflows of resources:				
Unavailable property tax revenue	107,312	91,941	-	199,253
Property taxes levied for future year	2,107,085	1,805,277	-	3,912,362
Total deferred inflows of resources	<u>2,214,397</u>	<u>1,897,218</u>	<u>-</u>	<u>4,111,615</u>
Fund balances:				
Nonspendable:				
Inventories	-	-	4,808	4,808
Restricted for:				
Capital outlay	-	4,268,755	-	4,268,755
Committed to:				
Economic stabilization	507,577	-	-	507,577
Employee benefit obligations	120,030	-	-	120,030
Students	-	-	212,581	212,581
Recreation	772,243	-	-	772,243
Assigned to:				
Programs	2,273,834	-	-	2,273,834
Unassigned	5,646,197	-	(4,808)	5,641,389
Total fund balances	<u>9,319,881</u>	<u>4,268,755</u>	<u>212,581</u>	<u>13,801,217</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,587,616</u>	<u>\$ 6,180,805</u>	<u>\$ 268,313</u>	<u>\$ 19,036,734</u>

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

GARFIELD COUNTY SCHOOL DISTRICT
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2016

Total fund balances for governmental funds		\$ 13,801,217
Total net position reported for governmental activities in the statement of net position is different because:		
The net pension asset is not an available resource and therefore is not reported in the governmental funds.		
		99
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets consist of:		
Land	\$ 116,940	
Buildings and improvements, net of \$10,709,864 accumulated depreciation	10,769,311	
Equipment and buses, net of \$1,602,966 accumulated depreciation	993,658	11,879,909
Some of the District's property taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred inflows of resources in the funds.		
		199,253
Long-term liabilities, including the net pension liability, are not due and payable in the current period and therefore are not reported in the funds. All liabilities - both current and long-term portions - are reported in the statement of net position. These and related balances at year end are:		
Well note payable	(340,140)	
Accrued sick leave	(120,030)	
Net pension liability	(4,716,352)	
Deferred outflows of resources related to pensions	1,913,829	
Deferred inflows of resources related to pensions	(460,689)	(3,723,382)
Total net position of governmental activities		\$ 22,157,096

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

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2016

	<u>Major Funds</u>		<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	<u>General</u>	<u>Capital Projects</u>		
Revenues:				
Local:				
Property taxes	\$ 2,251,371	\$ 1,953,183	\$ -	\$ 4,204,554
Earnings on investments	67,115	21,517	-	88,632
Other	64,241	-	515,411	579,652
State	7,423,117	50,000	234,437	7,707,554
Federal	924,508	-	217,312	1,141,820
Total revenues	<u>10,730,352</u>	<u>2,024,700</u>	<u>967,160</u>	<u>13,722,212</u>
Expenditures:				
Current:				
Instruction	5,675,989	-	813,507	6,489,496
Supporting services:				
Student	271,705	-	-	271,705
Instructional staff	58,142	-	-	58,142
District administration	320,635	-	-	320,635
School administration	909,428	-	-	909,428
Business	555,758	-	-	555,758
Operation and maintenance of facilities	1,067,198	-	-	1,067,198
Student transportation	395,011	-	-	395,011
Food services	-	-	374,543	374,543
Contributions to other governments	6,603	-	-	6,603
Capital outlay	-	830,723	-	830,723
Debt service:				
Principal retirement	-	18,112	-	18,112
Interest and other charges	-	9,888	-	9,888
Total expenditures	<u>9,260,469</u>	<u>858,723</u>	<u>1,188,050</u>	<u>11,307,242</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,469,883</u>	<u>1,165,977</u>	<u>(220,890)</u>	<u>2,414,970</u>
Other financing sources (uses):				
Proceeds from sale of capital assets	7,969	-	-	7,969
Transfers in	742,739	-	-	742,739
Transfers out	-	-	(742,739)	(742,739)
Total other financing sources (uses)	<u>750,708</u>	<u>-</u>	<u>(742,739)</u>	<u>7,969</u>
Net change in fund balances	2,220,591	1,165,977	(963,629)	2,422,939
Fund balances - beginning	<u>7,099,290</u>	<u>3,102,778</u>	<u>1,176,210</u>	<u>11,378,278</u>
Fund balances - ending	<u>\$ 9,319,881</u>	<u>\$ 4,268,755</u>	<u>\$ 212,581</u>	<u>\$ 13,801,217</u>

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

GARFIELD COUNTY SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended June 30, 2016

Net change in fund balances-total governmental funds \$ 2,422,939

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 for land, equipment and buses and \$100,000 for buildings and improvements are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. The net effect of transactions involving capital assets decreased net position in the current period.

Capital outlay	\$	349,341	
Proceeds from sale of capital assets		(7,969)	
Loss on sale of capital assets		7,969	
Depreciation expense		<u>(579,874)</u>	(230,533)

The issuance of debt provides current financial resources to governmental funds, while the repayment of the principal of debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. The net effect of these differences in the treatment of debt is as follows:

Principal repayment of debt	18,112
-----------------------------	--------

Some property taxes are collected several months after the District's fiscal year end are not considered available revenues in the governmental funds and are, instead, counted as deferred inflows of resources at year end. They are, however, recorded as revenues in the statement of activities.

	(23,782)
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Some expenses 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; long-term employee benefit obligations are reported in the governmental funds when paid.

Sick leave and early retirement expense	46,863		
Pension expense		<u>78,357</u>	<u>125,220</u>

Change in net position of governmental activities \$ 2,311,956

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

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Local:				
Property taxes	\$ 2,497,537	\$ 2,071,709	\$ 2,251,371	\$ 179,662
Earnings on investments	29,175	51,648	67,115	15,467
Other	42,698	39,611	64,241	24,630
State	7,010,638	7,333,219	7,423,117	89,898
Federal	414,802	854,163	924,508	70,345
Total revenues	<u>9,994,850</u>	<u>10,350,350</u>	<u>10,730,352</u>	<u>380,002</u>
Expenditures:				
Current:				
Instruction	5,823,457	5,902,257	5,675,989	226,268
Supporting services:				
Students	358,673	287,285	271,705	15,580
Instructional staff	119,691	127,630	58,142	69,488
District administration	309,809	309,530	320,635	(11,105)
School administration	1,079,961	995,758	909,428	86,330
Business	498,428	502,742	555,758	(53,016)
Operation and maintenance of facilities	1,221,514	1,076,195	1,067,198	8,997
Student transportation	415,782	393,966	395,011	(1,045)
Contributions to other governments	-	-	6,603	(6,603)
Total expenditures	<u>9,827,315</u>	<u>9,595,363</u>	<u>9,260,469</u>	<u>334,894</u>
Excess of revenues over expenditures	167,535	754,987	1,469,883	714,896
Other financing sources (uses):				
Proceeds from sale of capital assets	-	5,505	7,969	2,464
Transfers in (out)	(38,521)	791,725	742,739	(48,986)
Total other financing sources (uses)	<u>(38,521)</u>	<u>797,230</u>	<u>750,708</u>	<u>(46,522)</u>
Net change in fund balances	<u>129,014</u>	<u>1,552,217</u>	<u>2,220,591</u>	<u>668,374</u>
Fund balances - beginning	<u>6,187,446</u>	<u>7,099,290</u>	<u>7,099,290</u>	<u>-</u>
Fund balances - ending	<u>\$ 6,316,460</u>	<u>\$ 8,651,507</u>	<u>\$ 9,319,881</u>	<u>\$ 668,374</u>

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

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Fiduciary Fund Assets and Liabilities
Fiduciary Fund
June 30, 2016

	<u><i>Skills Certification Agency Fund</i></u>
Assets:	
Cash and investments	\$ 2,750
Liabilities:	
Account payable	\$ 2,750

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity – The Board of Education, comprised of five elected individuals, is the primary governing authority for the District. The District is not a component unit of any other primary government, and the District does not have any component units.

Government-wide and fund financial statements – The *government-wide financial statements* (the statement of net position and the statement of changes in net position) display information and financial activities of the District. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. *Governmental activities* are primarily financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District’s governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for “shared” capital assets (for example, a school building is used primarily for instruction, school administration, operation and maintenance of facilities, and food services) are ratably included in the direct expenses of the appropriate functions. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line. Program revenues include 1) fees and charges paid by students and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The *fund financial statements* provide information about the District’s funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

- The *general fund* is the District’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction and remodel of facilities, and procurement of equipment necessary for providing educational programs for all students within the District.

The District reports the following fiduciary fund:

- The *skills certification agency fund* accounts for the collection and payment of fees associated with skills certification testing for the state.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are reported using the *economic resources measurement focus* and are reported using the *accrual basis of accounting*. The agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, pension benefits, early retirement, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes and interest associated with the current fiscal period are considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met. All other revenue items are considered measurable and available only when cash is received by the District.

Budgetary data – The District operates within the budget requirements for school districts as specified by Utah state law and as interpreted by the Utah State Superintendent of Public Instruction. Budgets are presented on the modified accrual basis of accounting for all governmental funds. All annual appropriations lapse at fiscal year-end with the exception of contractual obligations. The following procedures are used in establishing the budgetary data reflected in the financial statements.

- By June 1 of each year, the District business administrator prepares a proposed annual budget (for the fiscal year beginning July 1) for all applicable funds. The budget is presented to the Board of Education by the superintendent. This budget includes proposed expenditures and the means of financing them. Also included is a final budget for the current fiscal year ending June 30th.
- Copies of the proposed budget are made available for public inspection and review by the District's patrons.
- If the District does not exceed the certified tax rate, a public hearing is held prior to June 22 at which time the budget is legally adopted by resolution of the Board after obtaining taxpayer input. If the District exceeds the certified tax rate, the budget is adopted in August when data is available to set the rates.
- Once adopted, the budget can be amended by subsequent Board action. The Board upon recommendation of the superintendent can approve reductions in appropriations, but increases in appropriations by fund require a public hearing prior to amending the budget. In accordance with Utah state law, interim adjustments may be made by administrative transfer of money from one appropriation to another within any given fund.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

- Certain interim adjustments in estimated revenue and expenditures during the current year have been included in the final budget approved by the Board, as presented in the financial statements.
- Expenditures may not legally exceed budgeted appropriations at the fund level.

Deposits and investments – The cash balances of substantially all funds are pooled and invested by the District for the purpose of increasing earnings through investment activities and providing efficient management of temporary investments. The pool’s investments are reported at fair value at year-end. Changes in the fair value of investments are recorded as investment earnings. Earnings on pooled funds are apportioned and paid or credited to the funds based on the average balance of each participating fund.

Inventories – Inventories are valued at cost or, if donated, at acquisition value when received, stated at the lower of average cost or market. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Donated food commodities are recorded as revenue when received.

Capital assets – Capital assets, which include land, buildings and improvements, and equipment and buses, are reported in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000 for land, equipment and buses and \$100,000 for buildings and improvements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction is not capitalized. Buildings and improvements and equipment and buses of the District are depreciated using the straight-line method over the estimated useful lives as indicated in the chart below:

Assets	Years
Buildings	50
Building improvements	20
Equipment	5 to 15
Buses	15
Vehicles	10

Pensions – For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Utah Retirement Systems (URS) and additions to/deductions from URS’s fiduciary net position have been determined on the same basis as they are reported by URS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Pension plan investments are reported at fair value.

Compensated absences – Under Board policy, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. In the event of termination or death, an employee is reimbursed for accumulated sick days to a maximum of 120 days (of which half of accumulated days will be paid at \$60 per day). No reimbursement or accrual is made for unused vacation leave. The District records expenditures in the governmental funds for sick pay benefits when paid. An expense and related liability are recorded in the governmental-wide financial statements as these benefits are earned.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Long-term liabilities – In the government-wide financial statements, long-term debt and other long-term liabilities (employee benefit obligations and the net pension liability) are reported as liabilities in the statement of net position.

In the fund financial statements, governmental funds usually recognize expenditures when paid; long-term liabilities are not reported in the governmental funds.

Deferred outflows/inflows of resources – In addition to assets, financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has the following source that qualifies for reporting in this category; this item is reported in the statement of net position:

- Deferred outflows of resources related to pensions – includes a) net difference between projected and actual earnings on pension plan investments, b) changes in proportion and differences between contributions and proportionate share of contributions, and c) District contributions subsequent to the measurement date of December 31, 2015.

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

The following item arises only under a modified accrual basis of accounting and is reported in the governmental funds balance sheet; this item is deferred and recognized as an inflow of resources in the period that the amount becomes available:

- Unavailable property tax revenue – consists of uncollected, delinquent property taxes.

The following sources is reported in both the statement of net position and the governmental funds balance sheet:

- Property taxes levied for future year – property taxes levied on January 1, 2016 for the following school year.

The following source is reported in the statement of net position:

- Deferred inflows of resources related to pensions – includes a) differences between expected and actual experience, and b) changes of assumptions in the measurement of the net pension liability/asset.

Net position/fund balances – The residual of all other elements presented in a statement of net position is *net position* on the government-wide financial statements and the residual of all other elements presented in a balance sheet on the governmental fund financial statements is *fund balance*.

Net position is divided into three components: investment in capital assets, restricted, and unrestricted. Net position is reported as restricted when constraints are placed upon it by external parties or are imposed by constitutional provisions or enabling legislation.

GARFIELD COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

The governmental fund financial statements present fund balances based on a hierarchy that shows, from highest to lowest, the level or form of constraints on fund balance resources and the extent to which the District is bound to honor them. The District first determines and reports nonspendable balances, then restricted, then committed, and so forth.

Fund balance classifications are summarized as follows:

- **Nonspendable** – This category includes fund balance amounts that cannot be spent because they are either a) not in spendable form or b) legally or contractually required to be maintained intact. Fund balance amounts related to inventories are classified as nonspendable.
- **Restricted** – This category includes net fund resources that are subject to external constraints that have been placed on the use of the resources either a) imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation. Restricted fund balance amounts include the unspent tax revenue for specific purposes (capital outlay).
- **Committed** – This category includes amounts that can only be used for specific purposes established by formal action of the District's highest level of decision-making authority. The Board of Education is the highest level of decision making authority for the District that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The District's committed fund balance includes amounts specified for economic stabilization (up to 5% of budgeted expenditures as allowed by state law), employee benefit obligations for unpaid compensated absences, and resources held by other governmental funds.
- **Assigned** – This category includes resources held in the *general fund* to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has authorized the business administrator to assign fund balances. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment.
- **Unassigned** – Residual balances in the *general fund* and any negative unrestricted fund balances of other governmental funds are classified as unassigned.

Net position/fund balance flow assumption – Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report in each category of net position and fund balance, a flow assumption must be made about the order in which the resources are considered to be applied.

- **Net position** – It is the District's policy to consider restricted net position to have been depleted before unrestricted net position.
- **Fund balance** – It is the District's policy to consider restricted fund balance to have been depleted before using any components of unrestricted fund balance. Further, when components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

2. DEPOSITS AND INVESTMENTS

A reconciliation of cash and investments at June 30, 2016, as shown on the financial statements is as follows:

Carrying amount of deposits	\$ 321,335
Carrying amount of investments	<u>14,053,001</u>
Total	<u><u>\$ 14,374,336</u></u>
Governmental funds	\$ 14,371,586
Fiduciary fund	<u>2,750</u>
Total	<u><u>\$ 14,374,336</u></u>

The District complies with the State Money Management Act (*Utah Code* Title 51, Chapter 7) (the Act) and related Rules of the Money Management Council (the Council) in handling its depository and investing transactions. District funds are deposited in qualified depositories as defined by the Act. The Act also authorizes the District to invest in the Utah Public Treasurers’ Investment Fund (PTIF), certificates of deposit, US Treasury obligations, US agency issues, high-grade commercial paper, banker’s acceptances, repurchase agreements, corporate bonds, money market mutual funds, and obligations of governmental entities within the State of Utah.

The Act and Council rules govern the financial reporting requirements of qualified depositories in which public funds may be deposited and prescribe the conditions under which the designation of a depository shall remain in effect. The District considers the rules of the Council to be necessary and sufficient for adequate protection of its uninsured bank deposits.

Deposits – The District’s carrying amount of bank deposits at June 30, 2016 is \$321,335. The bank balance is \$549,325, of which \$387,948 is covered by federal depository insurance.

- Custodial credit risk – Custodial credit risk for deposits is the risk that, in the event of a bank failure, a government’s deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2016, the uninsured amount of the District’s bank deposits was uncollateralized nor is it required by state law.

Investments – At June 30, 2016, the District has \$14,053,001 invested with the PTIF. The PTIF is an external local government investment pool managed by the Utah State Treasurer. The PTIF is authorized and makes investments in accordance with the Act. The Council provides regulatory oversight for the PTIF. Participant accounts with the PTIF are not insured or otherwise guaranteed by the State of Utah. Participants in the PTIF share proportionally in the income, costs, gains and losses from investment activities. The degree of risk of the PTIF depends upon the underlying portfolio, which primarily consists of money market securities held by the Utah State Treasurer, including investment-grade corporate notes, top-tier commercial paper, money market mutual funds, and certificates of deposit. The portfolio has a weighted average of 53 days. The PTIF is not rated. The reported value of the pool is the same as the fair value of the pool shares.

- Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to interest rate risk by complying with the Act, which requires that the remaining term to maturity of investments to not exceed the period of availability of the funds invested. The Act further limits the remaining term to maturity on all

GARFIELD COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

investments in commercial paper and bankers' acceptances to 270 days or less and fixed-income securities to 365 days or less. In addition, variable-rate securities may not have a remaining term to final maturity exceeding two years.

- **Credit Risk** – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the Act and related rules. The Act and related rules limit investments in commercial paper to a first tier rating and investments in fixed-income and variable-rate securities to a rating of A or higher as rated by Moody's Investors Service or by Standard & Poor's.
- **Concentration of Credit Risk** – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for managing this risk is to comply with the Act and related rules. The Act limits investments in commercial paper and or corporate obligations to 5% of the District's total portfolio with a single issuer.
- **Custodial Credit Risk** – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The District's policy for managing this risk is to comply with the Act and related rules.

3. FAIR VALUE MEASUREMENTS

In 2016, the District adopted Government Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*.

The new standard provides guidance for determining a fair value measurement for financial reporting purposes. The standard also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District's financial statements are not affected by this new standard.

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following recurring fair value measurements as of June 30, 2016:

- Public Treasurers' Investment Fund position of \$14,053,001 is valued at the District's position in the PTIF multiplied by the published fair value factor (Level 2 inputs).

GARFIELD COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

4. PROPERTY TAXES

The property tax revenue of the District is collected and distributed by the county treasurer as an agent of the District. Utah statutes establish the process by which taxes are levied and collected. The county assessor is required to assess real property as of January 1 (the legal lien date) and complete the tax rolls by May 15. By July 21, the county auditor is to mail assessed value and tax notices to property owners. A taxpayer may then petition the County Board of Equalization between August 1 and August 15 for a revision of the assessed value. The county auditor makes approved changes in assessed value by November 1 and on this same date the county auditor is to deliver the completed assessment rolls to the county treasurer. Tax notices are mailed with a due date of November 30.

Legislation requires motor vehicles be subject to an “age-based” fee that is due each time a vehicle is registered. The revenues collected in each county from motor vehicle fees is distributed by the county to each taxing entity in the same proportion in which revenue collected from ad valorem real property tax is distributed. The District recognizes motor vehicle fees as property tax revenue when collected.

As of June 30, 2016, property taxes receivable by the District includes uncollected taxes assessed as of January 1, 2016, or earlier. It is expected that all assessed taxes (including delinquencies plus accrued interest and penalties) will be collected within a five-year period, after which time the county treasurer may force sale of property to collect the delinquent portion.

5. CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 116,940	\$ -	\$ -	\$ 116,940
Capital assets, being depreciated:				
Buildings and improvements	21,479,175	-	-	21,479,175
Equipment and buses	2,294,466	349,341	(47,183)	2,596,624
Total capital assets, being depreciated	23,773,641	349,341	(47,183)	24,075,799
Accumulated depreciation for:				
Buildings and improvements	(10,315,525)	(394,339)	-	(10,709,864)
Equipment and buses	(1,464,614)	(185,535)	47,183	(1,602,966)
Total accumulated depreciation	(11,780,139)	(579,874)	47,183	(12,312,830)
Total capital assets, being depreciated, net	11,993,502	(230,533)	-	11,762,969
Governmental activities capital assets, net	<u>\$ 12,110,442</u>	<u>\$ (230,533)</u>	<u>\$ -</u>	<u>\$ 11,879,909</u>

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

For the year ended June 30, 2016, depreciation expense was charged to functions of the District as follows:

Governmental activities:	
Instruction	\$ 385,983
Supporting services:	
District administration	64,780
School administration	7,887
Business	1,807
Operation and maintenance of facilities	14,010
Student transportation	85,345
Food services	20,062
Total depreciation expense, governmental activities	\$ 579,874

6. STATE RETIREMENT PLANS

Description of plans – Eligible employees of the District are provided with the following plans through the Utah Retirement Systems (the URS) administered by the URS:

Defined Benefit Pension Plans (cost-sharing, multiple-employer plans):

- Public Employees Noncontributory Retirement System (Tier 1 Noncontributory System)
- Tier 2 Public Employees Contributory Retirement System (Tier 2 Contributory System)

Defined Contribution Plans (individual account plans):

- 401(k) Plan (includes the Tier 2 Defined Contribution Plan)

Title 49 of the *Utah Code* grants the authority to establish and amend the benefit terms to the Utah State Retirement Board, whose members are appointed by the Governor. The URS (a component unit of the State of Utah) issues a publicly available financial report that can be obtained at www.urs.org.

The Tier 2 systems became effective July 1, 2011. All eligible employees beginning on or after July 1, 2011, who have no previous service credit with any of the systems, are members of the Tier 2 systems.

Benefits provided – The URS provides retirement, disability, and death benefits to participants in the defined benefit pension plans. Retirement benefits are determined from 1.25% to 2.0% of the employee’s highest 3 or 5 years of compensation times the employee’s years of service depending on the pension plan; benefits are subject to cost-of-living adjustments up to 2.50% or 4.00%, limited to the actual Consumer Price Index increase for the year. Employees are eligible to retire based on years of service and age.

Defined contribution plans are available as supplemental plans to the basic retirement benefits of the defined benefit pension plans and as a primary retirement plan for some Tier 2 participants. Participants in the defined contribution plans are fully vested in employer and employee contributions at the time the contributions are made, except Tier 2 required contributions and associated earnings are vested during the first four years of employment. Benefits depend on amounts contributed to the plans plus investment earnings. Individual accounts are provided for each employee and are available at termination, retirement, death, or unforeseeable emergency.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Contributions – As a condition of participation in the plans, employers and/or employees are required to contribute certain percentages of salary and wages as authorized by statute and specified by the Utah State Retirement Board. Contributions are actuarially determined as an amount that, when combined with employee contributions (where applicable), is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded actuarial accrued liability.

For the year ended June 30, 2016, District required contribution rates for the plans were as follows:

	Defined Benefit Plans Rates			District Rates for 401(k) Plan
	District Contribution	Employee Paid	Paid by District for Employee	
Tier 1 Noncontributory System	22.19%	-	-	1.50%
Tier 2 Contributory System *	8.22%	-	-	1.78%
Tier 2 Defined Contribution Plan *	-	-	-	10.00%

* The District is also required to contribute 9.94% of covered employee payroll of the Tier 2 plans to finance the unfunded actuarial accrued liability of the Tier 1 plans. The District is also required to contribute 0.08% of covered employee payroll of the Tier 2 plans for death benefits.

Employees can make additional contributions to defined contribution plans subject to limitations.

For the year ended June 30, 2016, District and employee contributions to the plans were as follows:

	District Contributions	Employee Contributions
Tier 1 Noncontributory System	\$ 965,828	\$ -
Tier 2 Contributory System *	49,233	-
401(k) Plan	72,538	106,623
457 Plan and other individual plans	-	2,025

* Tier 2 plan contributions include required contribution to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions – At June 30, 2016, the District reported a net pension asset of \$99 and a net pension liability of \$4,716,352 for the following plans:

	Proportionate Share	Net Pension Asset	Net Pension Liability
Tier 1 Noncontributory System	0.1501408%	\$ -	\$ 4,716,352
Tier 2 Contributory System	0.0452531%	99	-
Total		\$ 99	\$ 4,716,352

The net pension asset and liability were measured as of December 31, 2015, and the total pension asset and liability used to calculate the net pension asset and liability were determined by an actuarial valuation as of January 1, 2015 and rolled-forward using generally accepted actuarial procedures. The District's proportion of the net pension asset and liability is equal to the ratio of the District's actual contributions compared to the total of all employer contributions during the plan year.

For the year ended June 30, 2016, the District recognized pension expense of \$937,133 for the defined benefit pension plans and pension expense of \$72,538 for the defined contribution plans. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 367,374
Changes of assumptions	-	93,315
Net difference between projected and actual earnings on pension plan investments	1,223,299	-
Changes in proportion and differences between contributions and proportionate share of contributions	173,451	-
District contributions subsequent to the measurement date	517,079	-
Total	\$ 1,913,829	\$ 460,689

The \$517,079 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date of December 31, 2015 will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. The other amounts reported as deferred outflows of resources and deferred inflows of resources related to defined benefit pension plans will be recognized in pension expense as follows:

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Year Ending June 30,	Deferred Outflows (Inflows) of Resources
2017	\$ 211,738
2018	211,738
2019	224,442
2020	289,783
2021	(296)
Thereafter	(1,344)

Actuarial assumptions – The total pension liability in the January 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.50% to 10.50%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were developed from actual experience and mortality tables, based on gender, occupation, and age, as appropriate, with adjustments for future improvement in mortality based on Scale AA, a model developed by the Society of Actuaries.

The actuarial assumptions used in the January 1, 2015 valuation were based on the results of an actuarial experience study for the five-year period ended December 31, 2013.

The long-term expected rate of return on defined benefit pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class and is applied consistently to each defined benefit pension plan. These ranges are 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 by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

Asset Class	Expected Return Arithmetic Basis		
	Target Allocation	Real Return Arithmetic Basis	Long-Term Expected Real Rate of Return
Equity securities	40%	7.06%	2.82%
Debt securities	20%	0.80%	0.16%
Real assets	13%	5.10%	0.66%
Private equity	9%	11.30%	1.02%
Absolute return	18%	3.15%	0.57%
Cash and cash equivalents	0%	0.00%	0.00%
Total	100%		5.23%
Inflation			2.75%
Expected arithmetic nominal return			7.98%

The 7.50% assumed investment rate of return is comprised of an inflation rate of 2.75% and a real return of 4.75% that is net of investment expense.

Discount rate – The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions all participating employers will be made at contractually required rates, actuarially determined and certified by the Utah State Retirement Board. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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 was not changed 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 District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the District’s 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%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
District's proportionate share of the net pension (asset) liability:			
Tier 1 Noncontributory System	\$ 8,536,420	\$ 4,716,352	\$ 1,513,221
Tier 2 Contributory System	18,116	(99)	(13,904)
Total	\$ 8,554,536	\$ 4,716,253	\$ 1,499,317

Pension plan fiduciary net position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued URS financial report.

GARFIELD COUNTY SCHOOL DISTRICT

Notes to Basic Financial Statements

Continued

Payables to the pension plans – At June 30, 2016, the District reported payables of \$127,386 for contributions to defined benefit pension plans and \$25,032 for contributions to defined contribution plan.

7. RISK MANAGEMENT

The District maintains insurance coverage for general, automobile, personal injury, errors and omissions, employee dishonesty, and malpractice liability up to \$10,000,000 per occurrence through policies administered by the Utah State Risk Management Fund. The District pays an annual premium to the Fund. The District also insures its buildings, including those under construction, and contents against all insurable risks of direct physical loss or damage with the Utah State Risk Management Fund. This all-risk insurance coverage provides for repair or replacement of damaged property at a replacement cost basis subject to a deductible of \$1,000 per occurrence. Settled claims have not exceeded the District’s insurance coverage for any of the past three years. The District also maintains a public treasurer’s fidelity bond with a private carrier.

All District employees are covered for workers compensation by the Utah School Boards Risk Management Mutual Association. Unemployment insurance is covered by the District on a pay-as-you-go basis.

Settled claims for the past three years have been insignificant.

8. LONG-TERM LIABILITIES

Long-term liability activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Portion Due or Payable Within One Year</u>
Well note payable	\$ 358,252	\$ -	\$ (18,112)	\$ 340,140	\$ 18,612
Accrued sick leave	153,000	56,550	(89,520)	120,030	72,018
Early retirement liability	13,893	-	(13,893)	-	-
Net pension liability	<u>3,558,268</u>	<u>2,173,574</u>	<u>(1,015,490)</u>	<u>4,716,352</u>	<u>-</u>
Total long term liabilities	<u>\$ 4,083,413</u>	<u>\$ 2,230,124</u>	<u>\$ (1,137,015)</u>	<u>\$ 5,176,522</u>	<u>\$ 90,630</u>

Well note payable – The District obtained a note from the Utah Division of Water Resources in conjunction with the construction of a well. The face amount of the note is \$459,000 and bears an interest rate of 3%. The note is payable in annual installments of \$28,000 for 23 years with final maturity in 2031. The payment schedule is as follows:

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Basic Financial Statements
Continued

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 18,612	\$ 9,888	\$ 28,500
2018	19,126	9,388	28,514
2019	19,654	8,874	28,528
2020	20,196	8,346	28,542
2021	20,754	7,804	28,558
2022 - 2026	112,683	30,344	143,027
2027 - 2031	129,115	14,353	143,468
Total	<u>\$ 340,140</u>	<u>\$ 88,997</u>	<u>\$ 429,137</u>

9. INTERFUND BALANCES AND ACTIVITY

The District transferred \$772,243 from the *non K-12 programs fund* to the *general fund* to close the *non K-12 programs fund*. The District also transferred \$29,504 from the *general fund* to the *school lunch fund* to subsidize food service costs.

10. LITIGATION AND COMPLIANCE

At certain times, claims or lawsuits are pending in which the District is involved. The District's counsel and insurance carriers estimate that the District's potential obligations resulting from such claims or litigation would not materially affect the financial statements of the District.

All funds balances are positive at June 30, 2016.

During the year ended June 30, 2016, expenditures for certain funds exceeded budgeted amounts as follows:

	<u>Excess</u>	<u>Percent of Budget</u>
Capital projects fund	\$ 11,558	1.4%
School lunch fund	28,952	8.4%
Non K-12 programs fund	34,589	10.7%

The District receives significant financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the District's independent auditors and other governmental auditors. Any disallowed claims resulting from such audits could become a liability of the *general fund* or other applicable fund. Based on prior experience, District administration believes such disallowance, if any, would be insignificant.

Required Supplementary Information

GARFIELD COUNTY SCHOOL DISTRICT
Schedules of the District's Proportionate Share of the Net Pension Liability (Asset)
Utah Retirement Systems
Last Two Plan Calendar Years

	<u>2015</u>	<u>2014</u>
Tier 1 Noncontributory System:		
District's proportion of the net pension liability (asset)	0.1501408%	0.1416210%
District's proportionate share of the net pension liability (asset)	\$ 4,716,352	\$ 3,558,268
District's covered-employee payroll	\$ 4,262,914	\$ 4,008,692
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	110.6%	88.8%
Plan fiduciary net position as a percentage of the total pension liability	84.5%	87.2%
Tier 2 Contributory System:		
District's proportion of the net pension liability (asset)	0.0452531%	0.0585307%
District's proportionate share of the net pension liability (asset)	\$ (99)	\$ (1,774)
District's covered-employee payroll	\$ 292,245	\$ 286,155
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	0.0%	-0.6%
Plan fiduciary net position as a percentage of the total pension liability	100.2%	103.5%

These schedules only present information for the 2014 and subsequent measurement periods of the plans; prior-year information is not available.

GARFIELD COUNTY SCHOOL DISTRICT
Schedules of District Contributions
Utah Retirement Systems
Last Two Fiscal Years

	<u>2016</u>	<u>2015</u>
Tier 1 Noncontributory System:		
Contractually required contribution	\$ 965,828	\$ 907,704
Contributions in relation to the contractually required contribution	<u>(965,828)</u>	<u>(907,704)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 4,418,038	\$ 4,200,736
Contributions as a percentage of covered-employee payroll	21.9%	21.6%
Tier 2 Contributory System:		
Contractually required contribution	\$ 49,233	\$ 47,177
Contributions in relation to the contractually required contribution	<u>(49,233)</u>	<u>(47,177)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 269,846	\$ 261,983
Contributions as a percentage of covered-employee payroll	18.2%	18.0%

These schedules only present information for the District's 2015 and subsequent reporting periods; prior-year information is not available. Contributions as a percentage of covered-employee payroll may be different than the Utah State Retirement Board certified rate due to rounding or other administrative issues. Tier 2 plan contributions include required contributions to finance the unfunded actuarial accrued liability of the Tier 1 plans and for death benefits.

GARFIELD COUNTY SCHOOL DISTRICT
Notes to Required Supplementary Information

Changes in assumptions-Utah Retirement Systems – Amounts reported in plan year 2015 reflect the following assumption changes adopted from the January 1, 2015 valuation:

- The wage inflation assumption for all employee groups was decreased from 3.75% to 3.50%.
- The rate of salary increases assumption for most groups was modified.
- The payroll growth assumption was decreased from 3.50% to 3.25%.
- The post retirement mortality assumption for female educators showed an improvement.
- Minor adjustments to the preretirement mortality assumption were made.
- Certain demographic assumptions were changed that generally resulted in a) an increase in members anticipated to terminate employment prior to retirement, b) a slight decrease in members expected to become disabled, and 3) a slight increase in the expected age of retirement.

**Combining and Individual Fund
Statements and Schedules**

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	2016			2015
	Final Budgeted Amounts	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues:				
Local:				
Property taxes	\$ 2,071,709	\$ 2,251,371	\$ 179,662	\$ 3,486,758
Earnings on investments	51,648	67,115	15,467	29,153
Other	39,611	64,241	24,630	77,859
State	7,333,219	7,423,117	89,898	6,970,043
Federal	854,163	924,508	70,345	421,190
Total revenues	10,350,350	10,730,352	380,002	10,985,003
Expenditures:				
Current:				
Salaries	5,241,182	5,146,632	94,550	4,805,831
Employee benefits	2,854,624	2,692,036	162,588	2,579,930
Purchased services	556,210	455,543	100,667	572,261
Supplies	707,829	740,458	(32,629)	594,249
Property	213,325	198,955	14,370	243,456
Other objects	22,193	26,845	(4,652)	44,132
Total expenditures	9,595,363	9,260,469	334,894	8,839,859
Excess of revenues over expenditures	754,987	1,469,883	714,896	2,145,144
Other financing sources (uses):				
Proceeds from sale of capital assets	5,505	7,969	2,464	815
Transfers in (out)	791,725	742,739	(48,986)	-
Total other financing sources (uses)	797,230	750,708	(46,522)	815
Net change in fund balances	1,552,217	2,220,591	668,374	2,145,959
Fund balances - beginning	7,099,290	7,099,290	-	4,953,331
Fund balances - ending	\$ 8,651,507	\$ 9,319,881	\$ 668,374	\$ 7,099,290

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Capital Projects Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local:				
Property taxes	\$ 1,787,352	\$ 1,953,183	\$ 165,831	\$ 876,303
Earnings on investments	15,177	21,517	6,340	7,037
State	50,000	50,000	-	100,000
Federal	-	-	-	527,563
Total revenues	<u>1,852,529</u>	<u>2,024,700</u>	<u>172,171</u>	<u>1,510,903</u>
Expenditures:				
Current:				
Purchased services	631,215	562,581	68,634	809,489
Supplies	14,350	19,523	(5,173)	10,345
Equipment	173,600	248,619	(75,019)	275,249
Debt service:				
Principal	11,884	18,112	(6,228)	70,082
Interest	16,116	9,888	6,228	10,810
Total expenditures	<u>847,165</u>	<u>858,723</u>	<u>(11,558)</u>	<u>1,175,975</u>
Excess of revenues over expenditures	<u>1,005,364</u>	<u>1,165,977</u>	<u>160,613</u>	<u>334,928</u>
Other financing sources (uses):				
Transfer in	-	-	-	1,289,085
Net change in fund balances	<u>1,005,364</u>	<u>1,165,977</u>	<u>160,613</u>	<u>1,624,013</u>
Fund balances - beginning	<u>3,102,778</u>	<u>3,102,778</u>	<u>-</u>	<u>1,478,765</u>
Fund balances - ending	<u><u>\$ 4,108,142</u></u>	<u><u>\$ 4,268,755</u></u>	<u><u>\$ 160,613</u></u>	<u><u>\$ 3,102,778</u></u>

GARFIELD COUNTY SCHOOL DISTRICT
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	<u>Special Revenue</u>			Total Nonmajor Governmental Funds
	<u>School Lunch</u>	<u>Non K-12 Programs</u>	<u>Student Activities</u>	
Assets:				
Cash and investments	\$ 29,504	\$ -	\$ 214,052	\$ 243,556
Receivables:				
State	19,949	-	-	19,949
Inventories	4,808	-	-	4,808
Total assets	<u>\$ 54,261</u>	<u>\$ -</u>	<u>\$ 214,052</u>	<u>\$ 268,313</u>
Liabilities:				
Accounts payable	\$ 1,116	\$ -	\$ 1,471	\$ 2,587
Due to other funds	53,145	-	-	53,145
Total liabilities	54,261	-	1,471	55,732
Fund balances:				
Nonspendable:				
Inventories	4,808	-	-	4,808
Committed to:				
Students	-	-	212,581	212,581
Unassigned	(4,808)	-	-	(4,808)
Total fund balances	<u>-</u>	<u>-</u>	<u>212,581</u>	<u>212,581</u>
Total liabilities and fund balances	<u>\$ 54,261</u>	<u>\$ -</u>	<u>\$ 214,052</u>	<u>\$ 268,313</u>

GARFIELD COUNTY SCHOOL DISTRICT
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2016

	<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
	<u>School Lunch</u>	<u>Non K-12 Programs</u>	<u>Student Activities</u>	
Revenues:				
Local:				
Lunch sales	\$ 72,003	\$ -	\$ -	\$ 72,003
Other	-	18,035	425,373	443,408
State	51,936	182,501	-	234,437
Federal	184,477	32,835	-	217,312
Total revenues	<u>308,416</u>	<u>233,371</u>	<u>425,373</u>	<u>967,160</u>
Expenditures:				
Current:				
Instruction	-	358,557	454,950	813,507
Food services	374,543	-	-	374,543
Total expenditures	<u>374,543</u>	<u>358,557</u>	<u>454,950</u>	<u>1,188,050</u>
Excess (deficiency) of revenues over (under) expenditures	(66,127)	(125,186)	(29,577)	(220,890)
Other financing sources (uses):				
Transfers in (out)	29,504	(772,243)	-	(742,739)
Net change in fund balances	(36,623)	(897,429)	(29,577)	(963,629)
Fund balances - beginning	<u>36,623</u>	<u>897,429</u>	<u>242,158</u>	<u>1,176,210</u>
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 212,581</u>	<u>\$ 212,581</u>

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
School Lunch
Nonmajor Special Revenue Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local:				
Lunch sales	\$ 77,900	\$ 72,003	\$ (5,897)	\$ 80,040
State	52,198	51,936	(262)	52,156
Federal	185,060	184,477	(583)	196,414
Total revenues	<u>315,158</u>	<u>308,416</u>	<u>(6,742)</u>	<u>328,610</u>
Expenditures:				
Current:				
Salaries	138,315	156,016	(17,701)	107,845
Employee benefits	37,810	36,228	1,582	42,901
Purchased services	6,024	4,298	1,726	3,412
Supplies	1,000	1,045	(45)	1,652
Food	160,205	174,718	(14,513)	166,412
Property	2,237	2,238	(1)	537
Total expenditures	<u>345,591</u>	<u>374,543</u>	<u>(28,952)</u>	<u>322,759</u>
Excess (deficiency) of revenues over (under) expenditures	(30,433)	(66,127)	(35,694)	5,851
Other financing sources:				
Transfers in	-	29,504	29,504	-
Net change in fund balances	(30,433)	(36,623)	(6,190)	5,851
Fund balances - beginning	<u>36,623</u>	<u>36,623</u>	<u>-</u>	<u>30,772</u>
Fund balances - ending	<u>\$ 6,190</u>	<u>\$ -</u>	<u>\$ (6,190)</u>	<u>\$ 36,623</u>

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Non K-12 Programs
Nonmajor Special Revenue Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local:				
Tuition and fees	\$ 11,502	\$ 18,035	\$ 6,533	\$ 16,765
State	174,190	182,501	8,311	143,165
Federal	32,571	32,835	264	40,961
Total revenues	<u>218,263</u>	<u>233,371</u>	<u>15,108</u>	<u>200,891</u>
Expenditures:				
Current:				
Salaries	219,500	226,539	(7,039)	179,066
Employee benefits	79,048	73,381	5,667	64,407
Purchased services	14,320	46,344	(32,024)	8,814
Supplies	8,500	10,694	(2,194)	10,661
Equipment	2,600	1,599	1,001	1,124
Total expenditures	<u>323,968</u>	<u>358,557</u>	<u>(34,589)</u>	<u>264,072</u>
Excess (deficiency) of revenues over (under) expenditures	(105,705)	(125,186)	(19,481)	(63,181)
Other financing sources:				
Transfers out	<u>(791,724)</u>	<u>(772,243)</u>	19,481	-
Net change in fund balances	(897,429)	(897,429)	-	(63,181)
Fund balances - beginning	897,429	897,429	-	960,610
Fund balances - ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 897,429</u>

GARFIELD COUNTY SCHOOL DISTRICT
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
Student Activities
Nonmajor Special Revenue Fund
Year Ended June 30, 2016
With Comparative Totals for 2015

	<u>2016</u>			<u>2015</u>
	<u>Final Budgeted Amounts</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget</u>	<u>Actual Amounts</u>
Revenues:				
Local:				
Earnings on investments	\$ 714	\$ -	\$ (714)	\$ -
Student fees	458,354	425,373	(32,981)	457,800
Total revenues	459,068	425,373	(33,695)	457,800
Expenditures:				
Current:				
Purchased services	34,624	30,568	4,056	33,375
Supplies	305,642	271,047	34,595	301,092
Property		4,360	(4,360)	-
Other	143,936	148,975	(5,039)	135,399
Total expenditures	484,202	454,950	29,252	469,866
Excess (deficiency) of revenues over (under) expenditures / net change in fund balances	(25,134)	(29,577)	(4,443)	(12,066)
Fund balances - beginning	242,158	242,158	-	254,224
Fund balances - ending	<u>\$ 217,024</u>	<u>\$ 212,581</u>	<u>\$ (4,443)</u>	<u>\$ 242,158</u>

GARFIELD COUNTY SCHOOL DISTRICT
Statement of Changes in Assets and Liabilities
Skills Certification Agency Fund
Year Ended June 30, 2016

	Balance at June 30, 2015	Additions	Deductions	Balance at June 30, 2016
Assets:				
Cash and investments	\$ 1,256	\$ 557,867	\$ 556,373	\$ 2,750
Liabilities:				
Account payables	\$ 1,256	\$ 557,867	\$ 556,373	\$ 2,750

OTHER INFORMATION

GARFIELD COUNTY SCHOOL DISTRICT
Comparative Statements of Net Position (Accrual Basis)
Governmental Activities
Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:					
Cash and investments	\$ 14,371,586	\$ 12,381,731	\$ 10,476,267	\$ 8,052,273	\$ 6,359,124
Receivables:					
Property taxes	4,225,344	4,273,895	3,747,540	4,525,834	3,755,260
Other governments	381,851	102,400	105,971	257,079	131,587
Inventories	4,808	4,808	4,808	4,688	17,896
Bond issuance costs, net	-	-	-	-	81,687
Net pension asset	99	1,774	-	-	-
Capital assets:					
Land	116,940	116,940	100,222	100,222	100,222
Buildings and other capital assets, net of accumulated depreciation	11,762,969	11,993,502	12,447,850	12,207,345	12,615,672
Total assets	<u>30,863,597</u>	<u>28,875,050</u>	<u>26,882,658</u>	<u>25,147,441</u>	<u>23,061,448</u>
Deferred outflows of resources:					
Related to pensions	<u>1,913,829</u>	<u>548,612</u>	<u>415,142</u>	<u>-</u>	<u>-</u>
Liabilities:					
Accounts and contracts payable	68,839	235,941	117,870	402,717	188,604
Accrued interest	-	-	5,310	7,650	10,290
Accrued salaries and related benefits	937,206	952,898	1,046,698	456,403	700,813
Unearned revenue:					
Other governments	64,712	-	21,167	4,688	4,436
Long-term liabilities:					
Portion due or payable within one year	90,630	47,305	748,342	1,170,063	1,022,250
Portion due or payable after one year	5,085,892	4,036,108	4,688,050	1,359,996	2,803,259
Total liabilities	<u>6,247,279</u>	<u>5,272,252</u>	<u>6,627,437</u>	<u>3,401,517</u>	<u>4,729,652</u>
Deferred inflows of resources:					
Property taxes levied for future year	3,912,362	3,972,682	3,625,428	3,637,884	3,695,855
Related to pensions	460,689	333,588	-	-	-
Total deferred inflows of resources	<u>4,373,051</u>	<u>4,306,270</u>	<u>3,625,428</u>	<u>3,637,884</u>	<u>3,695,855</u>
Net position:					
Net investment in capital assets	11,879,909	12,110,442	11,563,986	10,285,900	9,649,369
Restricted for:					
Capital outlay	4,360,696	3,206,387	1,478,765	1,646,224	1,413,087
Debt service	-	-	1,840,411	1,423,296	1,329,606
Students	212,581	242,158	254,224	232,631	236,660
Recreation	772,243	897,430	960,611	619,072	356,640
Food services	-	36,623	30,772	30,734	9,613
Unrestricted	4,931,667	3,352,100	916,166	3,870,183	1,640,966
Total net position	<u>\$ 22,157,096</u>	<u>\$ 19,845,140</u>	<u>\$ 17,044,935</u>	<u>\$ 18,108,040</u>	<u>\$ 14,635,941</u>

The District implemented GASB Statements 68 and 71 in 2015, recording its proportional share of net pension liabilities

GARFIELD COUNTY SCHOOL DISTRICT
Comparative Statements of Activities (Accrual Basis)
Governmental Activities
Last Five Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Expenses:					
Instruction	\$ 7,256,936	\$ 6,934,647	\$ 6,831,012	\$ 6,503,924	\$ 6,867,361
Supporting services:					
Students	269,574	295,915	250,335	281,786	243,365
Instructional staff	57,610	124,787	58,384	119,265	176,170
General administration	383,553	357,450	274,254	258,791	330,239
School administration	909,569	883,365	748,253	578,144	641,890
Business	553,698	426,120	440,975	387,282	354,854
Operation and maintenance of facilities	1,076,269	1,065,821	1,090,253	1,084,983	1,039,139
Student transportation	478,350	459,729	435,781	434,123	389,810
Other	-	-	29,193	49,216	27,778
Food services	392,393	335,550	315,588	332,048	337,480
Contributions to other governments	6,603	-	-	-	-
Interest on long-term liabilities	9,888	11,242	22,217	43,304	102,762
Total school district	<u>11,394,443</u>	<u>10,894,626</u>	<u>10,496,245</u>	<u>10,072,866</u>	<u>10,510,848</u>
Program revenues:					
Instruction	2,685,446	2,776,222	2,970,045	2,446,369	2,483,034
Supporting services:					
Student	219,272	183,527	75,918	86,920	57,757
Instructional staff	24,656	49,579	-	-	-
General administration	-	-	231,920	227,360	225,280
School administration	-	-	510,650	489,088	427,694
Business	47,001	-	-	-	-
Operation and maintenance of facilities	1,227	16,276	-	-	-
Student transportation	263,362	212,327	243,113	198,975	246,125
Food services	308,416	328,610	284,768	326,311	336,630
Total program revenues	<u>3,549,380</u>	<u>3,566,541</u>	<u>4,316,414</u>	<u>3,775,023</u>	<u>3,776,520</u>
Net (expense) revenue	<u>(7,845,063)</u>	<u>(7,328,085)</u>	<u>(6,179,831)</u>	<u>(6,297,843)</u>	<u>(6,734,328)</u>
General revenues:					
Property taxes levied for:					
General purposes	2,238,636	3,664,997	1,877,398	2,155,184	1,629,981
Transportation	-	-	-	-	190,048
Community recreation	-	-	413,002	460,218	401,636
Debt service	-	-	1,177,120	1,286,287	1,158,028
Capital local	1,942,136	921,099	868,346	956,005	822,276
Total property tax revenue	<u>4,180,772</u>	<u>4,586,096</u>	<u>4,335,866</u>	<u>4,857,694</u>	<u>4,201,969</u>
Federal and state aid not restricted to specific purposes	5,792,117	5,420,423	4,350,953	4,548,213	4,017,202
Earnings on investments	88,632	41,048	35,767	36,418	40,123
Miscellaneous	95,498	80,723	70,582	409,304	485,896
Total general revenues	<u>10,157,019</u>	<u>10,128,290</u>	<u>8,793,168</u>	<u>9,851,629</u>	<u>8,745,190</u>
Change in net position	2,311,956	2,800,205	2,613,337	3,553,786	2,010,862
Net position - beginning	<u>19,845,140</u>	<u>17,044,935</u>	<u>14,431,598</u>	<u>14,554,254</u>	<u>12,625,079</u>
Net position - ending	<u>\$ 22,157,096</u>	<u>\$ 19,845,140</u>	<u>\$ 17,044,935</u>	<u>\$ 18,108,040</u>	<u>\$ 14,635,941</u>

The District implemented GASB Statements 68 and 71 in 2015, restating and decreasing beginning net position by \$3,676,442 for 2015.
The District implemented GASB Statement 63 in 2013, restating and decreasing beginning net position by \$81,687 for 2013.

GARFIELD COUNTY SCHOOL DISTRICT
Comparative Balance Sheets (Modified Accrual Basis)
General Fund
 Last Five Fiscal Years

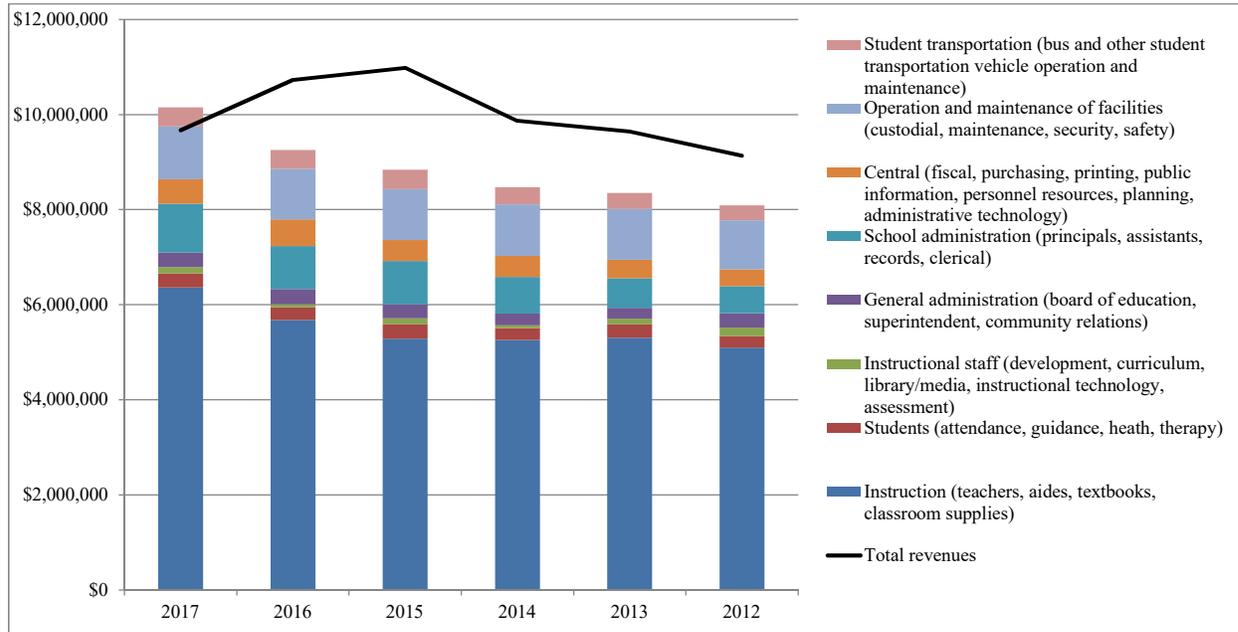
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Assets:					
Cash and investments	\$ 9,896,921	\$ 7,997,882	\$ 5,970,439	\$ 4,165,616	\$ 3,064,947
Receivables:					
Property taxes	2,275,648	2,309,114	2,600,168	1,957,396	1,381,205
Other governments	361,902	86,845	67,962	235,111	101,280
Due from other funds	53,145	-	-	-	-
Total assets	<u>\$ 12,587,616</u>	<u>\$ 10,393,841</u>	<u>\$ 8,638,569</u>	<u>\$ 6,358,123</u>	<u>\$ 4,547,432</u>
Liabilities:					
Accounts and contracts payable	\$ 51,420	\$ 95,016	\$ 91,247	\$ 401,717	\$ 176,776
Accrued salaries and benefits	937,206	952,898	1,046,698	456,403	700,813
Unearned Revenue:					
Other governments	64,712	-	-	-	-
Total liabilities	<u>1,053,338</u>	<u>1,047,914</u>	<u>1,137,945</u>	<u>858,120</u>	<u>877,589</u>
Deferred inflows of resources					
Unavailable property tax revenue	107,312	119,426	-	344,134	-
Property taxes levied for future year	2,107,085	2,127,212	2,547,294	1,571,808	1,351,580
Total deferred inflows of resources	<u>2,214,397</u>	<u>2,246,638</u>	<u>2,547,294</u>	<u>1,915,942</u>	<u>1,351,580</u>
Fund balances:					
Committed to:					
Economic stabilization	507,577	474,579	170,000	170,000	170,000
Employee benefit obligations	120,030	166,893	124,880	279,500	536,942
Recreation	772,243	-	-	-	-
Assigned to:					
Programs	2,273,834	1,211,240	842,688	763,681	745,323
Unassigned	5,646,197	5,246,577	3,815,762	2,370,880	865,998
Total fund balances	<u>9,319,881</u>	<u>7,099,289</u>	<u>4,953,330</u>	<u>3,584,061</u>	<u>2,318,263</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 12,587,616</u>	<u>\$ 10,393,841</u>	<u>\$ 8,638,569</u>	<u>\$ 6,358,123</u>	<u>\$ 4,547,432</u>

Source: District records.

GARFIELD COUNTY SCHOOL DISTRICT
Comparative Statements of Revenues, Expenditures, and Changes in Fund Balances (Modified Accrual Basis)
General Fund

Last Five Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget 2017	2016	2015	2014	2013	2012
Revenues:						
Local:						
Property taxes	\$ 1,571,709	\$ 2,251,371	\$ 3,486,758	\$ 2,220,941	\$ 1,802,687	\$ 1,820,030
Earnings on investments	50,000	67,115	29,153	28,792	36,418	40,123
Other	51,502	64,241	111,173	33,951	56,528	96,824
State	7,585,873	7,423,117	6,936,729	6,541,652	6,517,651	5,972,241
Federal	410,225	924,508	421,190	1,044,672	1,226,766	1,205,405
Total revenues	9,669,309	10,730,352	10,985,003	9,870,008	9,640,050	9,134,623
Expenditures:						
Current:						
Instruction	6,363,361	5,675,989	5,281,125	5,257,742	5,303,555	5,097,174
Supporting services:						
Students	295,444	271,705	305,403	250,335	281,786	243,365
Instructional staff	131,381	58,142	127,153	58,384	119,265	176,170
General administration	307,315	320,635	296,446	246,704	232,141	303,589
School administration	1,023,713	909,428	908,682	771,327	619,652	568,968
Business	517,853	555,758	442,006	440,355	386,762	354,334
Operation and maintenance of facilities	1,108,702	1,067,198	1,072,644	1,082,228	1,074,863	1,029,589
Student transportation	403,864	395,011	406,400	364,664	331,228	313,860
Contributions to other governments	6,603	6,603	-	-	-	-
Total expenditures	10,158,236	9,260,469	8,839,859	8,471,739	8,349,252	8,087,049
Excess of revenues over expenditures	(488,927)	1,469,883	2,145,144	1,398,269	1,290,798	1,047,574
Other financing sources (uses):						
Net transfers and other financing sources (uses)	5,000	750,708	815	(29,000)	(25,000)	536,942
Net change in fund balances	(513,477)	2,220,591	2,145,959	1,369,269	1,265,798	1,584,516
Fund Balances - Beginning	8,651,506	7,099,290	4,953,330	3,584,061	2,318,263	733,747
Fund Balances - Ending	\$ 8,138,029	\$ 9,319,881	\$ 7,099,289	\$ 4,953,330	\$ 3,584,061	\$ 2,318,263



Notes:
The 2017 anticipated budget is from the proposed budget approved by the Board in June 2016.

Source: District records.

GARFIELD COUNTY SCHOOL DISTRICT
General Fund Expenditures Per Student
 Last Five Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget 2017	2016	2015	2014	2013	2012
General fund expenditures per student:						
Instruction	\$ 7,039	\$ 6,156	\$ 5,703	\$ 5,653	\$ 5,594	\$ 5,499
Supporting services:						
Students	327	295	330	269	297	263
Instructional staff	145	63	137	63	126	190
General administration	340	348	320	265	245	327
School administration	1,132	986	981	829	654	614
Business	573	603	477	474	408	382
Operation and maintenance of facilities	1,226	1,157	1,158	1,164	1,134	1,111
Student transportation	447	428	439	392	349	339
Total general fund expenditures per student	<u>\$ 11,230</u>	<u>\$ 10,037</u>	<u>\$ 9,546</u>	<u>\$ 9,109</u>	<u>\$ 8,807</u>	<u>\$ 8,724</u>
Student fall enrollment count	904	922	926	930	948	927

Source: District records.

GARFIELD COUNTY SCHOOL DISTRICT
Historical Summaries of Taxable Values of Property
 Last Five Tax (Calendar) Years

	2015		2014		2013		2012		2011	
	Taxable Value	% of TV	Taxable Value	Taxable Value	Taxable Value	Taxable Value	Taxable Value	Taxable Value	Taxable Value	Taxable Value
Set by County Assessor-Locally Assessed										
Real property:										
Primary residential	\$ 128,380,435	20.2 %	\$ 126,999,615	\$ 125,196,480	\$ 123,342,120	\$ 122,037,670				
Secondary residential	190,989,555	30.1	185,791,435	182,871,435	181,682,555	184,828,215				
Commercial and industrial	99,254,085	15.6	98,800,255	84,071,815	84,758,275	84,427,200				
Agricultural and Farmland Assessment Act (FAA)	15,387,160	2.4	14,803,315	14,838,670	14,762,630	14,749,650				
Unimproved non FAA	93,693,180	14.8	93,241,265	93,144,205	94,155,065	94,414,440				
Total real property	527,704,415	83.2	519,635,885	500,122,605	498,700,645	500,457,175				
Personal property:										
Primary mobile homes	187,660	0.0	198,140	227,880	215,710	207,265				
Secondary mobile homes	-	0.0	-	-	19,925	17,425				
Other business personal	12,506,300	2.0	11,778,530	12,579,740	13,659,190	15,023,185				
Total personal property	12,693,960	2.0	11,976,670	12,807,620	13,894,825	15,247,875				
Fee in lieu	16,561,067	2.6	16,758,000	17,150,267	17,572,933	17,198,867				
Total locally assessed	556,959,442	87.8	548,370,555	530,080,492	530,168,403	532,903,917				
Set by State Tax Commission-Centrally Assessed										
Total taxable value	77,589,906	12.2	81,050,453	77,702,618	90,096,651	74,047,398				
Total taxable value	\$ 634,549,348	100.0 %	\$ 629,421,008	\$ 607,783,110	\$ 620,265,054	\$ 606,951,315				
Total taxable value (less fee in lieu)	\$ 617,988,281		\$ 612,663,008	\$ 590,632,843	\$ 602,692,121	\$ 589,752,448				

Source: District records.

GARFIELD COUNTY SCHOOL DISTRICT
Tax Rates and Revenue
 Last Four Fiscal Years with Anticipated Budget for 2017

	Anticipated Budget		2016		2015		2014		2013	
	2017									
	<u>Tax Rate</u>	<u>Budget</u>	<u>Tax Rate</u>	<u>Revenue</u>						
General Fund:										
Basic	0.001675	\$ 891,245	0.001736	\$ 1,130,242	0.001419	\$ 969,949	0.001535	\$ 1,183,163	0.001651	\$ 1,002,437
Board local	0.000144	76,620	0.000126	82,034	0.001910	1,305,569	0.001981	1,526,936	0.001952	1,185,195
Voted local	0.001581	841,228	0.001596	1,039,094	0.001772	1,211,240	-	-	-	-
Total general fund	<u>0.003400</u>	<u>1,809,093</u>	<u>0.003458</u>	<u>2,251,370</u>	<u>0.005101</u>	<u>3,486,758</u>	<u>0.003516</u>	<u>2,710,099</u>	<u>0.003603</u>	<u>2,187,632</u>
Debt Service Fund:										
Debt service	-	-	-	-	-	-	0.001807	1,392,818	0.001772	1,075,905
Capital Projects Fund:										
Capital local	0.002913	1,549,967	0.003000	1,953,184	0.001282	876,303	0.001333	1,027,463	0.001317	799,643
Total tax rate / revenue	<u>0.006313</u>	<u>\$ 3,359,061</u>	<u>0.006458</u>	<u>\$ 4,204,554</u>	<u>0.006383</u>	<u>\$ 4,363,061</u>	<u>0.006656</u>	<u>\$ 5,130,380</u>	<u>0.006692</u>	<u>\$ 4,063,180</u>

Notes:

Tax rates are levied for the calendar year. For example, calendar year 2016 tax rates apply to the District's fiscal year ending June 30, 2017.
 Revenue include current taxes, redemptions (delinquent taxes collected in the current year), and fees in lieu of taxes (primarily motor vehicle fees).
 Redemptions of prior-year taxes are allocated using current tax rates.

GARFIELD COUNTY SCHOOL DISTRICT

COMPLIANCE REPORTS

Year Ended June 30, 2016

TABLE OF CONTENTS

	<u>Page</u>
Schedule of Expenditures of Federal Awards	1
Notes to Schedule of Expenditures of Federal Awards	2
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	5
Summary Schedule of Prior Audit Findings	7
Schedule of Findings and Questioned Costs	8
Independent Auditor's Report on Compliance and Report on Internal Control over Compliance Required by the <i>State Compliance Audit Guide</i>	11

GARFIELD COUNTY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2016

Grantor/Pass-through Grantor/Program Title	CFDA Number	Pass- Through Number	District's Program Number	Receivable (Unearned) June 30, 2015	Received	Expended	Receivable (Unearned) June 30, 2016
U.S. DEPARTMENT OF AGRICULTURE:							
Passed through Utah State Office of Education:							
<i>Child Nutrition Cluster:</i>							
School Breakfast Program	10.553	46	8071	\$ -	\$ 26,321	\$ 26,321	\$ -
National School Lunch Program	10.555	46	8071	-	134,596	134,596	-
National School Lunch Program (Donated Commodities)	10.555	n/a	8071	-	23,560	23,560	-
Total Child Nutrition Cluster				-	184,477	184,477	-
Passed through Grand County:							
<i>Forest Service Schools and Roads Cluster:</i>							
Schools and Roads - Grants to States	10.665	n/a	7390	-	543,217	543,217	-
Total U.S. Department of Agriculture				-	727,694	727,694	-
U.S. DEPARTMENT OF EDUCATION:							
Passed through Utah State Office of Education:							
<i>Special Education Cluster (IDEA):</i>							
Special Education - Grants to States	84.027	19	7524	13,013	13,013	193,565	193,565
Special Education - Preschool Grants	84.173	52	7522	2,204	2,204	7,835	7,835
Total Special Education Cluster				15,217	15,217	201,400	201,400
Title I Grants to Local Educational Agencies	84.010	08	7801	60,812	61,283	121,615	121,144
Career and Technical Education - Basic Grants to States	84.048	21	6043	10,913	14,637	10,566	6,842
English Language Acquisition State Grants	84.365	73	7880	2,107	3,354	4,197	2,950
Improving Teacher Quality State Grants	84.367	74	7860	-	19,122	27,348	8,226
Passed through Waterford Institute:							
Investing in Innovation (i3) Fund	84.411	n/a	7650	-	25,000	25,000	-
Total U.S. Department of Education				89,049	138,613	390,126	340,562
Total federal awards				\$ 89,049	\$ 866,307	\$ 1,117,820	\$ 340,562

The accompanying notes are an integral part of this schedule.

GARFIELD COUNTY SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note A. Basis for Presentation – The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Garfield County School District (the District) under programs of the federal government for the year ended June 30, 2016. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in financial position, or cash flows of the District.

Note B. Summary of Significant Accounting Policies – Expenditures reported on the Schedule are reported on the modified accrual basis of accounting as described in Note 1 to the District’s basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Most of the federal awards are expenditure-driven grants. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met; grants received in advance are recorded as unearned revenue. Donated food commodities (totaling \$23,560 for the year ended June 30, 2016) are recorded at acquisition value in the *food services fund* as an inventory asset and federal revenue when received. Donated food commodity inventories are recorded as expenditures when they are transferred to schools for consumption.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Note C. Relationship to the District’s Financial Statements – The District received Medical Assistance Program grant monies through the State of Utah Department of Health. This federal grant is not classified as federal financial assistance. A reconciliation of federal revenue as reported on the District’s basic financial statements and the schedule of expenditures of federal awards for the year ended June 30, 2016 is as follows:

General fund	\$ 924,508
Other governmental funds:	
Food services fund	184,477
Non K-12 programs fund	32,835
Total governmental funds	<u>1,141,820</u>
Medical Assistance Program grant monies received through State of Utah Department of Health	<u>(24,000)</u>
Total federal revenue reported on the schedule of expenditures of federal awards	<u>\$ 1,117,820</u>



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Board of Education
Garfield County School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Garfield County School District (the District), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 14, 2016.

Internal Control over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-1 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations,

contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's Response to Findings

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Aguirre & Company, PC

Orem, Utah
November 14, 2016



Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Board of Education
Garfield County School District

Report on Compliance for Each Major Federal Program

We have audited the compliance of Garfield County School District (the District) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016.

The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above.

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

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

Opinion on Each Major Federal Program

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2016-1. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of 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. We have issued our report thereon dated November 14, 2016, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of

expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Aguirre & Company, PC

Orem, Utah
November 14, 2016

GARFIELD COUNTY SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
Year Ended June 30, 2016

2015-1 Certain balance sheet accounts had not been reconciled with related general ledger account in a timely manner during the year.

This finding has been partly resolved and is repeated in the current year as finding 2016-1.

GARFIELD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2016

I. Summary of auditor's results:

Financial Statements

Type of auditor's report issued: unmodified

Internal control over financial reporting:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

-Material weaknesses identified? yes no

-Significant deficiencies identified that are not considered to be material weaknesses? yes none reported

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.156(a)? yes no

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
	<i>Special Education Cluster:</i>
84.027	Special Education – Grants to States
84.173	Special Education – Preschool Grants
	<i>Forest Service Schools and Roads Cluster:</i>
10.665	Schools and Roads – Grants to States

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

GARFIELD COUNTY SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)
Year Ended June 30, 2016

II. Financial statement findings:

2016-1 Some of the objectives of internal control are to provide reliable, timely financial reports and to safeguard assets.

Certain balance sheet accounts had not been reconciled with related general ledger accounts in a timely manner during the year.

Balance sheet accounts can include incomplete or incorrect information that can affect related activity accounts; interim budget to actual information may not be accurate; misstatements may not be identified and corrected in a timely manner; and the objective of safeguarding assets may not be achieved.

Recommendation – Significant balance sheet accounts should be reconciled at least monthly.

Views of responsible officials – The audit committee has considered these matters. Processes will be applied to ensure accounts are reconciled monthly.

III. Federal award findings and questioned costs:

No matters were reported.



Independent Auditor's Report on Compliance
and Report on Internal Control over Compliance
Required by the *State Compliance Audit Guide*

Board of Education and Audit Committee
Garfield County School District

Report on Compliance

We have audited the compliance of Garfield County School District (the District) with the following applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2016.

- Minimum School Program
- Budgetary Compliance
- Fund Balance
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Treasurer's Bond
- Cash Management
- School Fees

Management's Responsibility

Management is responsible for compliance with the state compliance requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the District's compliance based on our audit of the compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each state compliance requirement referred to above. However, our audit does not provide a legal determination of the District's compliance with those requirements.

Opinion on Compliance

In our opinion, Garfield County School District complied, in all material respects, with the state compliance requirements referred to above for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described below. Our opinion on compliance is not modified with respect to these matters.

Budgetary compliance – Expenditures may not legally exceed budgeted appropriations at the fund level. Total expenditures in the *non K-12 fund*, *capital projects fund*, and the *food services fund* exceeded budgeted amounts by \$34,608, \$172,172, and \$28,954, respectively, for the year ended June 30, 2016. We recommend budgets be adopted and amended as appropriate to avoid exceeding approved budgets.

Board meeting minutes – The Open Public Meeting Act requires the District to post approved board meeting minutes to the Utah Public Notice Website. The approved board meeting minutes are not being posted as required. We recommend that the approved board meeting minutes be posted as required.

Views of responsible officials – We appreciate your recommendations. We will review these items and make changes as necessary.

The District's response to the noncompliance findings identified in our audit is described above. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Aguirre & Company, PC

Orem, Utah
November 14, 2016