

Gunnison Watershed School District RE-1J

Financial Report

June 30, 2016



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**Gunnison Watershed School District RE-1J
Financial Report
June 30, 2016**

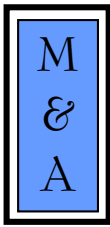
Table of Contents

	Page
INDEPENDENT AUDITOR'S REPORT	A1 – A3
Management's Discussion and Analysis	B1 – B6
Basic Financial Statements:	
District-wide Financial Statements:	
Statement of Net Position	C1
Statement of Activities	C2
Fund Financial Statements:	
Balance Sheet - Governmental Funds	C3
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position	C4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	C5
Reconciliation of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	C6
Statement of Net Position - Proprietary Funds	C7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	C8
Statement of Cash Flows - Proprietary Funds	C9
Notes to the Financial Statements	D1 – D28
Required Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
General Fund	E1
Food Services Fund	E2
Pupil Activity Fund	E3
2014 Mill Levy Override Fund	E4
Schedule of Employer's Proportionate Share of the Net Pension Liability	E5
Schedule of District Contributions	E6

**Gunnison Watershed School District RE-1J
Financial Report
June 30, 2016**

**Table of Contents
(Continued)**

	Page
Supplementary Information:	
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual:	
Bond Redemption Fund	F1
Capital Reserve Capital Projects Fund	F2
Schedule of Revenues, Expenditures and Changes in Net Position - Budget and Actual - Proprietary Funds:	
Health Services Fund	F3
Auditor's Electronic Financial Data Integrity Check Figures	G1
Single Audit Reports and Schedules:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with Governmental Auditing Standards	H1 – H2
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance With Uniform Guidance	H3 – H4
Schedule of Findings and Questioned Costs	H5 – H6
Schedule of Expenditures of Federal Awards	H7



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INDEPENDENT AUDITOR'S REPORT

**To the Board of Education
Gunnison Watershed School District RE-J1**

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and each major fund of Gunnison Watershed School District RE-J1 (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 includes performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

Member: American Institute of Certified Public Accountants

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, and each major fund of Gunnison Watershed School District RE-1J as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

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

The budgetary comparison information in section E is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. The budgetary comparison information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements taken as a whole. The individual fund budgetary information in section F and the Colorado Department of Education Auditor's Electronic Data Integrity Check Figures are presented for purposes of additional analysis and are not a required part of the District's financial statements. The individual fund budgetary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Matters

Additionally, the Schedule of Expenditures of Federal Awards included in the Single Audit section is presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“*Uniform Guidance*”), and is not a required part of the District’s financial statements. Such information has been subjected to the auditing procedures applied to the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2016, on our consideration of the District’s internal control over financial reporting and on our tests of its compliance with provisions of laws, regulations, 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 the 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.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.
December 5, 2016**

Gunnison Watershed School District RE-1J

Management's Discussion and Analysis



Gunnison Watershed School District RE-1J

Management Discussion and Analysis

As management of Gunnison Watershed School District RE-1J, we offer readers of the District's annual financial report this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities of the District exceeded its assets as of June 30, 2016, by \$10,233,678 (net position).
- The District's net position increased by \$813,372.
- The District's General Fund had a fund balance of \$4,313,429, or 27% of total General Fund Expenditures.

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide financial statements – The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The *statement of net position* presents information on all the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the financial health of the District.

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

Both of the government-wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities).

- **Governmental activities:** Most of the District's basic services are included here, such as instructional services, support services, food services and student activities. Such services included activities relating to building maintenance, technology and administration.

The district-wide financial statements also include Marble Charter School, which is a discretely presented component unit of the District.

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

Fund Financial Statements

A fund is a grouping of self-balancing, related accounts that are used to maintain control over resources that have been segregated for specific purposes. Our District uses fund accounting to ensure and demonstrate compliance with financial and government fund and proprietary funds.

Government 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 funds financial statements focus on current sources and uses of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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. 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 the governmental fund and governmental activities.

The District's most significant, or "major" governmental funds include the General Fund, Bond Redemption Fund, Capital Reserve Capital Projects Fund, Food Services Fund, Pupil Activity Fund, and the 2014 Mill Levy Override Fund.

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

The basic major governmental fund statements start on page C3.

Proprietary Funds

Enterprise funds are used to report the same functions presented as business-type activities in the district-wide financial statements. The District uses an enterprise fund to account for its employee health and dental benefits. Internal service funds are an accounting device used to accumulate and allocate costs internally to the District's various functions. Because the service predominately benefits governmental rather than business-type functions, it has been included within governmental activities in the government-wide financial statements.

Proprietary Funds provide the same type of information as the district-wide financial statements, only in more detail. The proprietary fund financial statements provide financial reports for the District's health services fund which is considered to be a major fund of the District.

The basic Proprietary Fund financial statements can be found on pages C7 thru C9, of this report.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements with a comparison of the District's budget for the year.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

An annual review of net position may serve as a useful indicator of a government's financial position. The District's liabilities exceeded assets by \$10,233,678. In the previous year of 2015, the liabilities exceeded assets by \$11,047,050.

The assets of the District are classified as current assets, non-current assets, and capital assets. Current assets are available to provide resources for the near-term operations of the District. The majority of the current assets are the result of the property tax receivables and cash and investments.

Capital assets are made up of land, buildings, equipment/vehicles, and construction in progress. Current and long-term liabilities are classified based upon anticipated liquidation, either in the near-term or in the future.

Statement of Net Position

The following table provides a summary of the District's net position as of the fiscal years ended June 30, 2016 and 2015.

Gunnison Watershed School District RE-1J Net Position

	2016	2015
Assets:		
Current and other assets	\$ 14,895,198	\$ 12,305,138
Capital assets, net	63,125,187	64,536,430
Total Assets	78,020,385	76,841,568
 Deferred Outflows of Resources:		
Deferred refunding costs	6,434,544	7,049,726
Pension related deferred outflow	4,962,772	1,885,007
Total deferred outflows of resources	11,397,316	8,934,733
 Liabilities:		
Other liabilities	2,452,824	2,184,539
Long-term liabilities	96,657,180	94,598,321
Total Liabilities	99,110,004	96,782,860
 Deferred Inflows of Resources:		
Deferred revenue	21,641	38,086
Pension related deferred inflow	519,734	2,405
Total deferred inflows of resources	541,375	40,491
 Net Position:		
Net investment in capital assets	3,242,590	2,250,669
Restricted	4,233,725	3,945,792
Unrestricted	(17,709,993)	(17,243,511)
Total Net Position	\$ (10,233,678)	\$ (11,047,050)

Of the District's total assets, 81% are capital assets (e.g. land, buildings, and equipment). The District uses these assets to provide instruction and related services to its students.

Net position for governmental activities increased by \$813,372. The following graph summarizes the District's change in net position:

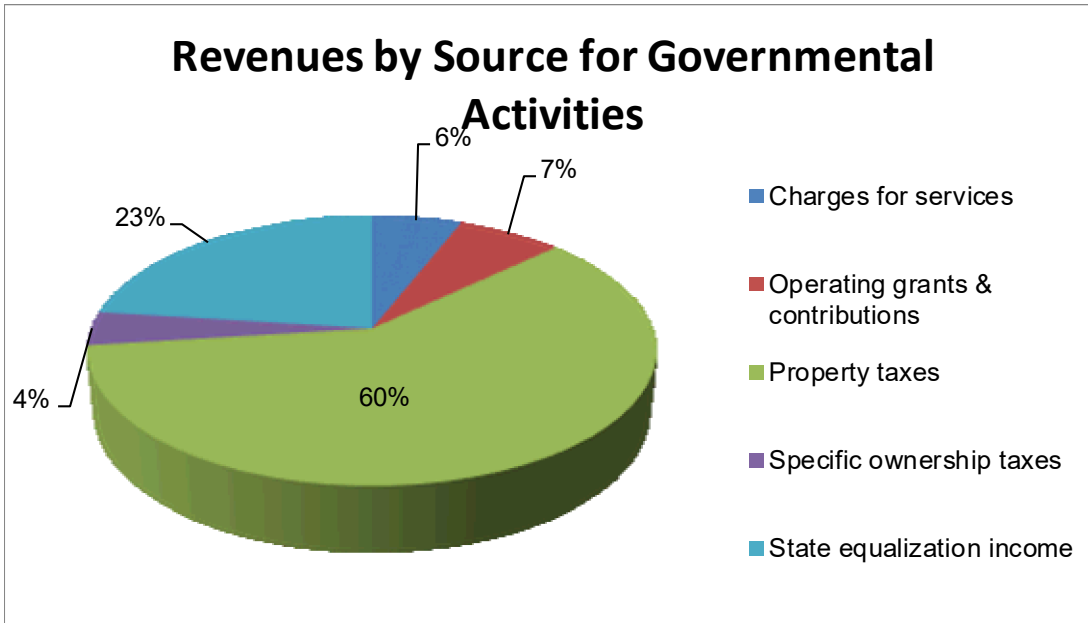
Gunnison Watershed School District RE-1J Changes in Net Position

	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,469,080	\$ 1,507,553
Operating grants & contributions	1,880,407	897,140
General revenues:		
Property taxes	15,698,383	14,774,622
Specific ownership taxes	962,629	788,793
State equalization income	6,064,618	5,802,294
Investment income	73,163	58,989
Other revenue	109,149	108,689
Gain (loss) on disposal of assets	15,613	5,463
Total Revenues	<u>26,273,042</u>	<u>23,943,543</u>
Expenses:		
Direct instruction	12,259,257	10,566,387
Indirect instruction	2,133,819	1,575,486
General administration	3,632,525	3,404,527
Support services	754,908	1,069,872
Custodial and maintenance	1,630,033	1,738,025
Transportation	814,647	805,645
Community Service	1,385	5,876
Student activities	1,012,529	964,988
Food services	745,008	682,507
Interest on long-term debt	2,475,559	1,682,429
Total Expenses	<u>25,459,670</u>	<u>22,495,742</u>
Change in Net Position		
Before Transfers	813,372	1,447,801
Transfers	-	-
Change in Net Position	813,372	1,447,801
Net Position - Beginning of Year	<u>(11,047,050)</u>	<u>(12,494,851)</u>
Net Position - End of Year	<u>\$ (10,233,678)</u>	<u>\$ (11,047,050)</u>

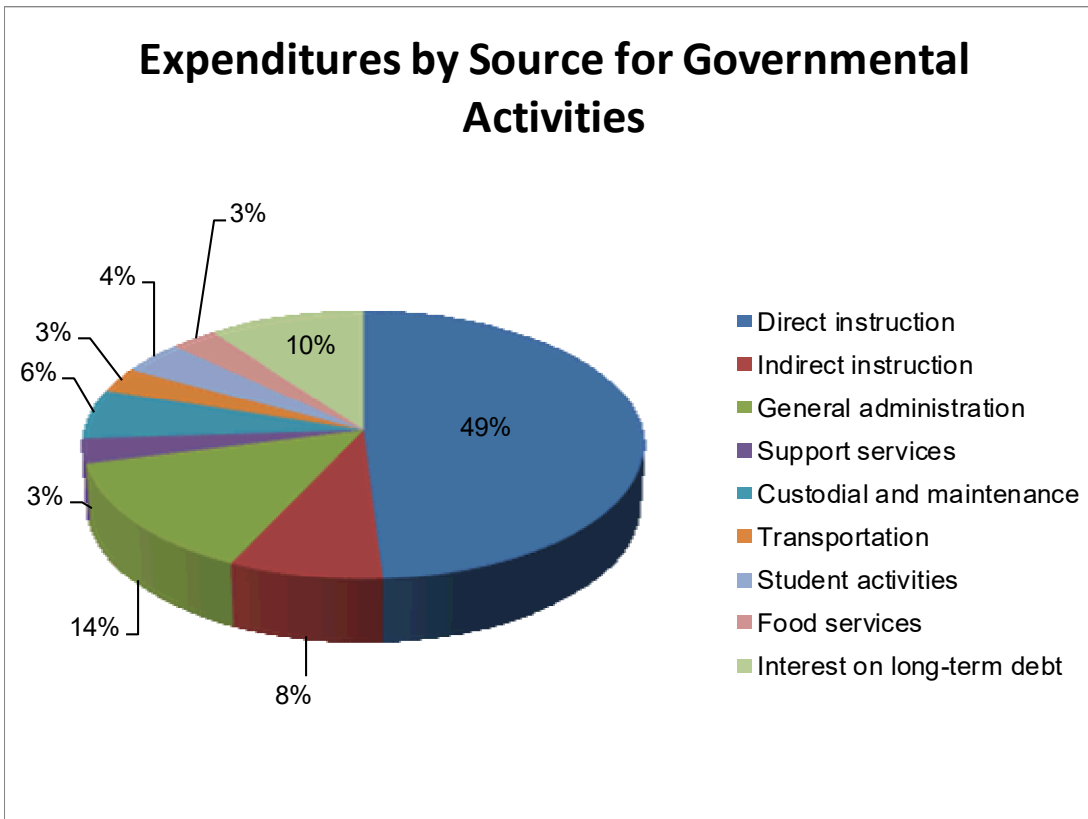
Property taxes, specific ownership tax, and per pupil state formula revenue (School Finance Act-State Equalization) account for most of the District's revenue. The remaining revenue comes from grants and contributions with the remainder from fees charged for services and miscellaneous sources.

The District's expenses predominantly relate to instruction and support services, which include support for students and instructional staff, administration, operations and maintenance, and transportation. Given that the District is a service organization providing education services to students, the majority of the expenses are paid in the form of compensation (salaries and benefits) to the District's employees.

The following chart displays the revenues by source for the total District:



The following chart displays the expenditures by source for the total District:



The District's expenses are predominately related to instruction, with the general administrative and support services, transportation, operations and maintenance, and interest on bond payments accounting for the remaining expenditures.

Financial Analysis of the District's Funds: As mentioned earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of negative \$11,306,607 which is an increase of \$1,132,444 from the prior year ending fund balances.

General Fund Budgetary Highlights: The District's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. The most significant budgeted fund is the General Fund. The original budget is prepared based on a conservative estimate of student growth. This guarantees the District does not overstaff or overextend its financial capabilities. The General Fund's actual results were under budgeted appropriations by \$308,312.

Capital Assets and Debt Administration: The District's investment in capital assets for governmental activities as of June 30, 2016, amounts to \$63,125,187 (net accumulated depreciation). This investment in capital assets includes land, buildings, equipment, and vehicles.

Long Term Debt: As of June 30, 2016, the District had outstanding debt of \$59,882,597.

Economic Factors and Next Year's Budget: The Public School Finance Act of 1994 is the largest source of revenue for the District's operating funds. The School Finance Act calculates per-pupil funding by school District based upon a formula that takes into consideration the cost of living, number of students, District size, personnel vs. non-personnel, and number of at-risk students. The purpose of this act was to establish a financial base of support for public education, to move towards a uniform mill levy tax statewide for all Districts, and to limit future growth of and reliance upon property tax to support public education. Funding sources for the School Finance Act is derived by the following formula:

Total Program Funding = local property taxes + general specific ownership taxes + state equalization.

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

Next Year's Budget and Fund Balance: The District's General Fund balance at the end of fiscal year 2016 is \$4,313,429. The subsequent year's budget for fiscal year 2016 is fiscally balanced.

Request for Information:

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information in this report or requests for additional financial information should be addressed to the Business Office, Gunnison Watershed School District RE-1J, 800 North Boulevard, Gunnison, Colorado 81230.

Gunnison Watershed School District RE-1J

Basic Financial Statements



Gunnison Watershed School District RE-1J
Statement of Net Position
June 30, 2016

	<u>Primary Government</u> <u>Total</u>	<u>Component Unit</u>
	<u>Governmental</u> <u>Activities</u>	<u>Marble Charter</u> <u>School</u>
ASSETS		
Cash and cash equivalents	13,785,119	102,414
Accounts receivable, net:		
Taxes	791,852	-
Other governments	-	70,961
Other	310,382	-
Inventory	7,845	-
Total current assets	<u>14,895,198</u>	<u>173,375</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred refunding costs	6,434,544	-
Pension related deferred outflow	4,962,772	192,003
Total deferred outflows of resources	<u>11,397,316</u>	<u>192,003</u>
Capital assets:		
Land	2,866,151	-
Buildings and improvements	76,157,352	1,921,497
Equipment	1,822,115	-
Vehicles	2,094,066	-
Less: Accumulated depreciation	<u>(19,814,497)</u>	<u>(529,607)</u>
Net capital assets	<u>63,125,187</u>	<u>1,391,890</u>
Total assets	<u><u>89,417,701</u></u>	<u><u>1,757,268</u></u>
LIABILITIES		
Current liabilities:		
Accounts payable and accrued expenses	417,154	2,098
Accrued salaries	1,782,470	44,971
Due to component unit	70,961	-
Accrued interest	182,239	-
Total current liabilities	<u>2,452,824</u>	<u>47,069</u>
Noncurrent liabilities:		
Accrued compensated absences	104,916	-
Bonded debt and capital leases:		
Due within one year	2,115,000	-
Due in more than one year	57,767,597	-
Net pension liability	<u>36,669,667</u>	<u>1,056,244</u>
Total noncurrent liabilities	<u>96,657,180</u>	<u>1,056,244</u>
Total liabilities	<u>99,110,004</u>	<u>1,103,313</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred revenue	21,641	-
Pension related deferred inflow	519,734	14,970
Total deferred inflows of resources	<u>541,375</u>	<u>14,970</u>
NET POSITION		
Net investment in capital assets	3,242,590	1,391,890
Restricted for:		
TABOR	593,799	16,000
Debt service	3,639,926	-
Unrestricted	<u>(17,709,993)</u>	<u>(768,905)</u>
Total net position	<u><u>(10,233,678)</u></u>	<u><u>638,985</u></u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Activities
For the Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Total Governmental Activities	Component Unit Marble Charter School
GOVERNMENTAL ACTIVITIES:						
Direct instruction	12,259,257	93,981	1,642,325	-	(10,522,951)	
Indirect instruction	2,133,819	-	-	-	(2,133,819)	
General administration	3,632,525	-	-	-	(3,632,525)	
Support services	754,908	-	-	-	(754,908)	
Custodial and maintenance	1,630,033	-	-	-	(1,630,033)	
Transportation	814,647	-	-	-	(814,647)	
Community service	1,385	-	-	-	(1,385)	
Student activities	1,012,529	1,040,994	-	-	28,465	
Food Services	745,008	334,105	238,082	-	(172,821)	
Interest on long-term debt	2,475,559	-	-	-	(2,475,559)	
Total governmental activities	<u>25,459,670</u>	<u>1,469,080</u>	<u>1,880,407</u>	<u>-</u>	<u>(22,110,183)</u>	
Total Primary Government	<u>25,459,670</u>	<u>1,469,080</u>	<u>1,880,407</u>	<u>-</u>	<u>(22,110,183)</u>	
COMPONENT UNIT:						
Marble Charter School	<u>654,376</u>	<u>144,242</u>	<u>-</u>	<u>-</u>		<u>(510,134)</u>
GENERAL REVENUES:						
Taxes:						
Property taxes - Levied for general operations					11,178,961	403,011
Property taxes - Levied for debt service					4,519,422	-
Specific ownership taxes					962,629	-
State equalization income					6,064,618	-
Grants and contributions not restricted to specific programs					111,899	129
Investment income					73,163	-
Gain (loss) on disposal of assets					15,613	-
Special item					(2,750)	-
Total general revenues and transfers					<u>22,923,555</u>	<u>(106,994)</u>
Change in net position					813,372	(106,994)
Net position, beginning					<u>(11,047,050)</u>	<u>745,979</u>
Net position, ending					<u>(10,233,678)</u>	<u>638,985</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Balance Sheet
Governmental Funds
June 30, 2016

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Services Fund</u>	<u>Pupil Activity Fund</u>	<u>2014 Mill Levy Override Fund</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	5,711,466	3,417,935	-	-	493,185	2,593,700	12,216,286
Accounts receivable, net:							
Taxes	449,378	221,991	-	-	-	118,507	789,876
Other	270,732	-	-	12,011	285	-	283,028
Due from other funds	19,433	-	1,436,614	110,128	21,904	-	1,588,079
Inventories	-	-	-	7,845	-	-	7,845
Total assets	<u>6,451,009</u>	<u>3,639,926</u>	<u>1,436,614</u>	<u>129,984</u>	<u>515,374</u>	<u>2,712,207</u>	<u>14,885,114</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable and accrued expenses	80,188	-	-	6,777	19,342	24,942	131,249
Accrued salaries	1,609,856	-	-	15,645	6,536	134,540	1,766,577
Due to component unit	70,961	-	-	-	-	-	70,961
Due to other funds	371,732	-	-	-	19,433	1,196,914	1,588,079
Total liabilities	<u>2,132,737</u>	<u>-</u>	<u>-</u>	<u>22,422</u>	<u>45,311</u>	<u>1,356,396</u>	<u>3,556,866</u>
Deferred Inflow of Resources:							
Deferred revenues	4,843	-	-	16,798	-	-	21,641
Total deferred inflow of resources	<u>4,843</u>	<u>-</u>	<u>-</u>	<u>16,798</u>	<u>-</u>	<u>-</u>	<u>21,641</u>
Fund balances:							
Non-spendable:							
Inventories	-	-	-	7,845	-	-	7,845
Restricted:							
TABOR	593,799	-	-	-	-	-	593,799
Debt service	-	3,639,926	-	-	-	-	3,639,926
Committed	2,375,196	-	-	-	-	-	2,375,196
Assigned	-	-	1,436,614	82,919	470,063	1,355,811	3,345,407
Unassigned	1,344,434	-	-	-	-	-	1,344,434
Total fund balances	<u>4,313,429</u>	<u>3,639,926</u>	<u>1,436,614</u>	<u>90,764</u>	<u>470,063</u>	<u>1,355,811</u>	<u>11,306,607</u>
of resources, and fund balances	<u>6,451,009</u>	<u>3,639,926</u>	<u>1,436,614</u>	<u>129,984</u>	<u>515,374</u>	<u>2,712,207</u>	<u>14,885,114</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2016

Governmental Funds Total Fund Balance		11,306,607
<i>Add:</i>		
Property taxes receivable will be collected this calendar year, but are not available soon enough to pay for the current period's expenditures and therefore, are deferred in the funds.		1,976
Capital assets used in governmental activities are not considered current financial resources and therefore, are not reported in the governmental funds:		
Capital assets	82,939,684	
Accumulated depreciation	<u>(19,814,497)</u>	63,125,187
An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds:		
Assets	1,596,189	
Liabilities	<u>(301,800)</u>	1,294,389
<i>Less:</i>		
Deferred charges such as deferred refunding costs, premiums, and discounts on bonded debt, are treated as current transactions on the fund financial statements, but are capitalized and amortized on the Statement of Net Position:		
Deferred refunding costs	6,434,544	
Premiums and discounts on bonded debt	<u>(5,927,597)</u>	506,947
Long-term liabilities, including bonds payable, net pension liability, arbitrage payable, accrued compensated absences, leases payable, and accrued interest are not due and payable in the current period and therefore, are not reported in the funds. This is the amount of District long-term liabilities:		
Net pension liability	(36,669,667)	
Bonds payable	(53,955,000)	
Accrued compensated absences	(104,916)	
Accrued interest	<u>(182,239)</u>	<u>(90,911,822)</u>
Changes in pension related actuarial assumptions, proportion of collective pension amounts, differences between actual and expected experience and investment earnings, and differences between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members.		
Unamortized pension related deferred outflows	4,962,772	
Unamortized pension related deferred inflows	<u>(519,734)</u>	<u>4,443,038</u>
Governmental Activities Net Position		<u><u>(10,233,678)</u></u>

The accompanying notes are an integral part of these statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Bond Redemption Fund</u>	<u>Capital Reserve Capital Projects Fund</u>	<u>Food Services Fund</u>	<u>Pupil Activity Fund</u>	<u>2014 Mill Levy Override fund</u>	<u>Total Governmental Funds</u>
REVENUES							
Taxes:							
Property taxes	8,777,335	4,528,129	-	-	-	2,428,835	15,734,299
Specific ownership taxes	962,629	-	-	-	-	-	962,629
Federal income	1,705,212	-	-	231,842	-	-	1,937,054
State income	6,064,812	-	-	6,240	-	-	6,071,052
Investment income	45,647	14,647	-	-	-	12,869	73,163
Other	142,799	-	-	-	-	-	142,799
Charges for services	-	-	-	-	1,040,994	-	1,040,994
Food sales	-	-	-	334,105	-	-	334,105
Total revenues	<u>17,698,434</u>	<u>4,542,776</u>	<u>-</u>	<u>572,187</u>	<u>1,040,994</u>	<u>2,441,704</u>	<u>26,296,095</u>
EXPENDITURES							
Direct instruction	10,183,413	-	-	-	-	1,825,595	12,009,008
Indirect instruction	1,289,339	-	-	-	-	-	1,289,339
General administration	1,725,115	-	-	-	-	-	1,725,115
Support services	700,065	-	-	-	-	-	700,065
Custodial and maintenance	1,535,094	-	-	-	-	-	1,535,094
Transportation	626,833	-	-	-	-	-	626,833
Community service	1,504	-	-	-	-	-	1,504
Technology	-	-	33,973	-	-	-	33,973
Equipment	-	-	28,985	-	-	-	28,985
Student activities	-	-	-	-	1,012,529	-	1,012,529
Capital outlay	129,299	-	11,031	-	904	338,554	479,788
Food service operations	-	-	-	714,225	-	-	714,225
Debt service:							
Principal	-	2,005,000	-	-	-	-	2,005,000
Interest and fiscal charges	-	2,265,056	-	-	-	-	2,265,056
Total expenditures	<u>16,190,662</u>	<u>4,270,056</u>	<u>73,989</u>	<u>714,225</u>	<u>1,013,433</u>	<u>2,164,149</u>	<u>24,426,514</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,507,772</u>	<u>272,720</u>	<u>(73,989)</u>	<u>(142,038)</u>	<u>27,561</u>	<u>277,555</u>	<u>1,869,581</u>
OTHER FINANCING SOURCES (USES)							
Sale of fixed assets	15,613	-	-	-	-	-	15,613
Payment to refunded bond escrow agent	-	(2,750)	-	-	-	-	(2,750)
Transfers in (out)	(842,066)	-	-	92,066	-	-	(750,000)
Total other financing sources (uses)	<u>(826,453)</u>	<u>(2,750)</u>	<u>-</u>	<u>92,066</u>	<u>-</u>	<u>-</u>	<u>(737,137)</u>
NET CHANGE IN FUND BALANCES	681,319	269,970	(73,989)	(49,972)	27,561	277,555	1,132,444
FUND BALANCES, BEGINNING	3,632,110	3,369,956	1,510,603	140,736	442,502	1,078,256	10,174,163
FUND BALANCES, ENDING	<u>4,313,429</u>	<u>3,639,926</u>	<u>1,436,614</u>	<u>90,764</u>	<u>470,063</u>	<u>1,355,811</u>	<u>11,306,607</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Reconciliation of Revenues, Expenditures and Change in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

Governmental Funds Change in Fund Balances	1,132,444
 <i>Add:</i>	
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays reported as expenditures in the governmental funds.	279,908
Debt principal payments result in a reduction of accumulated resources on the fund financial statements. The government-wide statements show these payments as reductions against long-term liabilities.	2,005,000
An internal service fund is used by the District's management to charge the cost of employee health and dental insurance to the individual funds. The net revenue of these funds is reported with the governmental activities in the Statement of Activities.	1,235,177
Amortization of deferred costs such as premium and discounts on bonds payable and deferred charges from refundings and changes in accrued interest have no impact on current available resources but do change government-wide net position.	(210,503)
 <i>Less:</i>	
Accrued compensated absences reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds. This is the change in accrued compensated absences during the year.	2,407
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense reported as an expenditure in the governmental activities' functions.	(1,691,151)
The difference between employer contributions to the pension plan and the change in pension liability and amortization of pension related deferrals do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,903,994)
Governmental Activities Change in Net Position	<hr style="border: 0.5px solid black;"/> 813,372 <hr style="border: 0.5px solid black;"/>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Net Position
Proprietary Funds
June 30, 2016

	Governmental Activities
	Internal Service Fund
ASSETS	
Current assets:	
Cash and cash equivalents	1,568,834
Accounts receivable, net:	
Other	27,355
Total current assets	1,596,189
 LIABILITIES	
Current liabilities:	
Other current liabilities	301,800
Total current liabilities	301,800
 NET POSITION	
Unrestricted	1,294,389
Total net position	1,294,389

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Insurance premiums	2,154,840
Stop loss reimbursement	104,459
Total operating revenues	2,259,299
OPERATING EXPENSES	
Claims losses	1,372,773
Stop loss premiums and fees	401,349
Total operating expenses	1,774,122
OPERATING INCOME (LOSS)	485,177
 INCOME (LOSS) BEFORE TRANSFERS	 485,177
Transfers in (out)	750,000
CHANGE IN NET POSITION	1,235,177
TOTAL NET POSITION, BEGINNING	59,212
TOTAL NET POSITION, ENDING	1,294,389

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from charges for services	2,579,092
Other cash receipts	104,459
Payments to vendors	(1,764,718)
Net cash provided (used) by operating activities	918,833
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers received	650,001
Net cash provided (used) by noncapital financing activities	650,001
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,568,834
Cash and Cash Equivalents, Beginning	-
Cash and Cash Equivalents, Ending	1,568,834
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	485,177
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities related to operations:	
(Increase) decrease in accounts receivable	424,252
(Increase) decrease in due to (from) other funds	100,000
Increase (decrease) in accounts payable	9,404
Increase (decrease) in due to other funds	(100,000)
Total adjustments	433,656
Net cash provided (used) by operating activities	918,833

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

Gunnison Watershed School District RE-1J

Notes to the Financial Statements



Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016

I. Summary of Significant Accounting Policies

Gunnison Watershed School District RE-1J (the “District”) includes portions of both Gunnison and Saguache Counties. The District provides academic and vocational curriculum, student transportation, food services, athletic and cultural extracurricular activities, maintenance and general administrative services. The District operates the following schools:

Elementary Schools Gunnison Elementary Crested Butte Elementary	Middle Schools Gunnison Middle School	High School Gunnison High School
Preschool & Kindergarten Lake School	Community School Crested Butte Secondary School	Charter School Marble Charter School

The District’s financial statements are prepared in accordance with generally accepted accounting principles (“GAAP”). The Governmental Accounting Standards Board (“GASB”) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the District are discussed below.

A. Reporting Entity

The District operates under an elected District Board of Education comprised of five members. As required by GAAP, the financial statements of the reporting entity include those of the District and its component units, entities for which the District is considered financially accountable. The District is considered financially accountable for legally separate organizations if it is able to appoint the voting majority of an organization’s governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the District. Consideration is also given to organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based upon the above criteria, the District has identified one discretely presented component unit.

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

Discretely Presented Component Units – Marble Charter School

The State of Colorado Legislature in 1993 enacted the “Charter School Act – Colorado Revised Statutes (CRS) Section 22-30-101.” This Act permits the District to contract with individuals and organizations for the operation of schools within the District. The statutes define these contracted schools as “Charter Schools.” Charter Schools are financed from a portion of the District’s School Finance Act Revenues and from revenues generated by the Charter Schools, within the limits established by the Charter School Act. Charter Schools have separate governing boards; however, the District must approve all Charter School applications and budgets. Therefore, the Marble Charter School is included in the District’s reporting entity because of the nature and significance of their operational or financial relationships with the District.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Complete financial statements can be obtained by contacting Marble Charter School, 418 West Main Street, Marble, Colorado 81623.

In 1995, the District approved a charter application through a resolution, allowing for the creation of the Marble Charter School ("Marble"). Marble is located in Marble, Colorado and provides educational services for grades kindergarten through seventh. Marble received an allocation of \$403,011 from the District for operations in the fiscal year ended June 30, 2016.

B. District-wide and Fund Financial Statements

The District's basic financial statements include both District-wide (financial activities of the overall District, except for fiduciary activities) and fund financial statements (reporting the District's major and non-major funds). The District-wide financial statements categorize primary activities as either governmental or business-type. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

1. District-wide Financial Statements

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

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

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

2. Fund Financial Statements

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Fund Financial Statements (continued)

The District reports the following major governmental funds:

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

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

The *Capital Reserve Capital Projects Fund* accounts for transactions related to the District's acquisitions and construction of capital facilities and other capital assets.

The *Food Services Fund* accounts for the activities of the District's school breakfast and lunch programs.

The *Pupil Activity Fund* accounts for student clubs and other organizations.

The *2014 Mill Levy Override Fund* accounts for transactions related to future curriculum purchases and capital investments.

The District reports the following internal service fund:

The *Self Insurance Fund (Health Services Fund)* accounts for the employee's health and dental benefits provided to other departments or funds of the District on a cost reimbursement basis.

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

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

1. Long-term Economic Focus and Accrual Basis

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

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

2. Current Financial Focus and Modified Accrual Basis

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

3. Financial Statement Presentation

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise fund are charges to customers for sales. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value.

3. Receivables

Receivables are reported net of an allowance for uncollectible accounts.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Property Taxes

Property taxes are assessed in one year as a lien on the property, but not collected by the governmental units until the subsequent year. In accordance with GAAP, the assessed but uncollected property taxes have been recorded as a receivable. Property tax receivables that are considered to be available (i.e. sixty days after year-end) are reported on the governmental fund financial statements. Property tax receivables that are not considered available (i.e. long term) are reported on the government wide Statement of Net Position.

5. Inventory

Inventories recorded in the *Food Services Fund* consist of purchased and donated commodities. Purchased inventories are valued at cost, while donated inventories, received at no cost under a program supported by the Federal Government, are recorded at their estimated fair value at the date of receipt using the first-in, first-out method.

6. Interfund Receivables and Payables

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

7. Capital Assets

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

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

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase is capitalized as part of the value of the assets constructed for business-type activities, if applicable.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Capital Assets (continued)

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
Equipment	7-50
Vehicles	10

8. Pensions

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

9. Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditures) until then. The District has two items that qualify for reporting under this category on the Statement of Net Position. One item is deferred charge on refunding. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. Another item is the collective deferred outflows related to the District's net pension obligation. Pension contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension liability in future periods.

Deferred inflows of resources represent an acquisition of net position that apply to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two items that qualify for reporting in this category. Deferred revenue reported in the governmental balance sheet is deferred and recognized as an inflow of resources in the period that the amounts become available. Collective deferred inflows related to the District's net pension obligation are reported on the Statement of Net Position and are amortized over the average service lives of participants.

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Compensated Absences

Annual leave begins accruing on the first day of employment and accrues at the rate of eleven (11) days per year for non-classified staff and one (1) day per month for classified staff. Any unused vacation leave is paid out upon termination.

Non-Classified District employees with seventy-five (75) days of accumulated annual leave may request reimbursement of up to six (6) days of unused annual leave each year at \$50 per day. Retiring Non-Classified District employees with twenty (20) or more years of employment with the District can apply to be paid for up to one-hundred (100) days of accumulated annual leave at \$50 per day.

Vacation Leave – Classified year-round District employees may accrue unused vacation leave at their current daily rate. In addition, District employees are paid for accumulated vacation at their current daily rate upon termination.

Vested or accumulated leave that is expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated leave that are not expected to be liquidated with expendable available financial resources are reported in the governmental activities column in the District-wide financial statements. Vested or accumulated leave of the proprietary fund type is recorded as an expense and a liability of that fund as the benefits accrue to employees. No liability is recorded for non-vesting accumulating rights.

11. Long-term Obligations

In the district-wide financial statements and proprietary fund types in the fund financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bonds payable are reported net of the applicable bond premium or discount and deferred refunding costs. Bond premiums, discounts, and deferred refunding costs are amortized over the life of the bonds based on interest payments.

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

12. Fund Equity

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

Unassigned fund balance is a residual classification within the *General Fund*. The *General Fund* should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

13. Interfund Transactions

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

E. Significant Accounting Policies

1. Use of Estimates

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

2. Credit Risk

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

3. Subsequent Events

Management has evaluated subsequent events through December 5, 2016; the date that these financial statements were available to be issued.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

I. Summary of Significant Accounting Policies (continued)

E. Significant Accounting Policies (continued)

4. Fund Balance Policy

The District has adopted minimum fund policy for the General Fund. The policy requires a minimum fund balance of at least 15% of the estimated General Fund expenditures.

II. Stewardship, Compliance, and Accountability

A. Bond Trustee

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

B. Budgetary Information

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

As required by Colorado Statutes, the District followed the required timetable noted below in preparing, approving, and enacting its budget for fiscal year 2016:

1. The proposed budget was submitted to the District Board of Education by May 31 of the year preceding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The District Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30 along with an appropriation resolution.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

II. Stewardship, Compliance, and Accountability (continued)

B. Budgetary Information (continued)

During the year supplemental appropriation ordinances were approved for the following funds:

<u>Fund</u>	<u>Original Appropriation</u>	<u>Final Appropriation</u>	<u>Change</u>
General Fund	\$ 16,308,140	\$ 16,498,974	\$ 190,834
Debt Service Fund	4,271,456	4,283,056	11,600
Food Service Fund	798,560	788,092	(10,468)
Pupil Activity Fund	814,692	1,013,635	198,943
2014 Mill Levy Override Fund	2,202,029	2,370,621	168,592
Capital Reserve Capital Projects Fund	71,500	75,485	3,985

C. TABOR Amendment

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

TABOR requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year spending. The District has reserved \$593,799 of its June 30, 2016, fund balances for this purpose.

In 1997, the District's electorate approved the following ballot question: *"Without increasing any tax rates or imposing any new tax shall Gunnison Watershed School District RE-J1 be authorized to collect, keep and expend all District revenues received in fiscal year 1998 and each year thereafter without regard to any spending, revenue raising or other limitation in Article X, Section 20 of the Colorado Constitution or other laws of the state?"*.

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

II. Stewardship, Compliance, and Accountability (continued)

D. Expenditures in Excess of Budget

For the year ended June 30, 2016, no fund expenditures were in excess of budget.

III. Detailed Notes on All Funds

A. Deposits and Investments

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

The District is governed by the deposit and investment limitations of state law. The deposits and investment balances at June 30, 2016, are as follows:

Type:	Standard & Poors Rating	Balance	Maturities	
			Less Than One Year	One to Five Years
<i>Deposits:</i>				
Petty Cash	Not rated	\$ 892	\$ 892	\$ -
Checking accounts	Not rated	2,304,384	2,304,384	-
Cash with fiscal agent	Not rated	16,340	16,340	-
<i>Investments:</i>				
Investment pool	AAAm	11,463,503	11,463,503	-
		<u>\$ 13,785,119</u>	<u>\$ 13,785,119</u>	<u>\$ -</u>

The investment pool represents investments in the Colorado Government Liquid Asset Trust ("COLOTRUST") which is a 2a7-like pool. The fair value of the pool is determined by the pool's share price. The District has no regulatory oversight for the pool.

Interest Rate Risk. The District limits investments maturities as required by state statutes as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes require the District to limit maturities to five years from the date of purchase. Maturities of investments held at June 30, 2016, are provided in the previous schedule. The District coordinates its investment maturities to closely match cash flow needs.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

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

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

B. Receivables

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

	General Fund	Bond Redemption Fund	Food Services Fund	Pupil Activity Funds	2014 Mill Levy Override Fund	Total Governmental Funds
Receivables:						
Taxes	\$ 449,378	\$ 221,991	\$ -	\$ -	\$ 118,507	\$ 789,876
Accounts	-	-	-	285	-	285
Other	270,732	-	12,011	-	-	282,743
Gross receivables	<u>720,110</u>	<u>221,991</u>	<u>12,011</u>	<u>285</u>	<u>118,507</u>	<u>1,072,904</u>
Less: allowance for uncollectible	-	-	-	-	-	-
Net Receivables	<u><u>\$ 720,110</u></u>	<u><u>\$ 221,991</u></u>	<u><u>\$ 12,011</u></u>	<u><u>\$ 285</u></u>	<u><u>\$ 118,507</u></u>	<u><u>\$ 1,072,904</u></u>

Governmental funds report property tax receivable for property taxes levied in fiscal year 2016 but not available until 2017.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

C. Capital Assets

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

	<u>Beginning Balance</u>	<u>Transfers</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,866,151	\$ -	\$ -	\$ -	\$ 2,866,151
Total capital assets, not being depreciated	<u>2,866,151</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,866,151</u>
Capital assets, being depreciated:					
Buildings and improvements	76,121,127	-	36,225	-	76,157,352
Equipment	1,787,112	-	46,463	(11,460)	1,822,115
Vehicles	2,117,275	-	197,220	(220,429)	2,094,066
Total capital assets being depreciated	<u>80,025,514</u>	<u>-</u>	<u>279,908</u>	<u>(231,889)</u>	<u>80,073,533</u>
Total capital assets - Cost	<u>82,891,665</u>	<u>-</u>	<u>279,908</u>	<u>(231,889)</u>	<u>82,939,684</u>
Less accumulated depreciation for:					
Buildings and improvements	(16,335,694)	-	(1,449,941)	11,460	(17,774,175)
Equipment	(625,556)	-	(91,612)	-	(717,168)
Vehicles	(1,393,985)	-	(149,598)	220,429	(1,323,154)
Total accumulated depreciation	<u>(18,355,235)</u>	<u>-</u>	<u>(1,691,151)</u>	<u>231,889</u>	<u>(19,814,497)</u>
Governmental activities capital assets, net	<u>\$ 64,536,430</u>	<u>\$ -</u>	<u>\$ (1,411,243)</u>	<u>\$ -</u>	<u>\$ 63,125,187</u>

The District had \$4,640,655 of fully depreciated capital assets still in service at June 30, 2016.

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

	<u>Capital Outlay</u>	<u>Depreciation Expense</u>
Governmental activities:		
General administration	\$ 36,225	\$ 1,449,941
Custodial and maintenance	46,463	60,829
Transportation	197,220	149,598
Food services	-	30,783
Total - governmental activities	<u>\$ 279,908</u>	<u>\$ 1,691,151</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

D. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of June 30, 2016, was as follows:

	Receivable Fund	Payable Fund
General	\$ 19,433	\$ (371,732)
Food Services	110,128	-
Pupil Activity	21,904	(19,433)
2014 Mill Levy Override	-	(1,196,914)
Capital Reserve	1,436,614	-
	\$ 1,588,079	\$ (1,588,079)

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

Transfers for fiscal year 2016 were as follows:

Transfer In (Out)	Amount	Transfer Purpose
General Fund	\$ (842,066)	To fund operations in other funds.
Food Services Fund	92,066	Funding from the General Fund.
Health Services Fund	750,000	Funding from the General Fund.
Total	\$ -	

E. Long-term Debt – Governmental Activities

1. General Obligation Refunding Bonds, Series 2004

On March 16, 2004, the District issued \$13,080,000 of its General Obligation Refunding Bonds, Series 2004. The proceeds of the bonds were used to refund the District's outstanding General Obligation Refunding Bonds, Series 1995, in the principal amount of \$12,185,000. The 1995 bonds are considered to be defeased and have been removed from long-term debt.

Principal and interest are payable semi-annually on June 1 and December 1 at rates from 2% to 5%. The final maturity date of the bonds is December 1, 2015. Bonds are not subject to redemption prior to their maturity dates. This debt was fully repaid as of June 30, 2016.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

2. General Obligation Bonds, Series 2008

On December 29, 2008, the District issued \$10,000,000 in General Obligation Bonds Series 2008, with a final maturity date of December 1, 2029, for the purpose of financing the costs of: improving, remodeling, repairing and making additions to District buildings; District-wide upgrades for security and life safety needs; and, to the extent funds are available after providing for the above purposes, for the purpose of equipping said facilities. Principal and interest are payable semi-annually on June 1 and December 1 at rates from 5% to 5.125%.

The bonds maturing on or before December 1, 2018, and after December 31, 2019, were refunded through the issuance of the General Obligation Refunding Bonds, Series 2014. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the Statement of Net Position.

3. General Obligation Bonds, Series 2009

On January 20, 2009, the District issued \$45,000,000 in General Obligation Bonds Series 2009, with a final maturity date of December 1, 2033, for the purpose of financing the costs of: improving, remodeling, repairing and making additions to District buildings; District-wide upgrades for security and life safety needs; and, to the extent funds are available after providing for the above purposes, for the purpose of equipping said facilities.

Principal and interest are payable semi-annually on June 1 and December 1 at rates from 3.0% to 5.25%.

Bonds maturing on or before December 1, 2018, are not subject to redemption prior to maturity; Bonds maturing on and after December 31, 2019, are subject to optional redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof, plus accrued interest to the redemption date.

The bonds maturing on or before December 1, 2018, and after December 31, 2019, were partially refunded through the issuance of the General Obligation Refunding Bonds, Series 2014. As a result, the partially refunded bonds are considered defeased and the liability has been removed from the governmental activities column of the Statement of Net Position.

The Series 2009 Bonds maturing on December 1, 2033 are subject to mandatory sinking fund redemption requirements as follows:

2030	\$ 3,730,000
2031	3,930,000
2031	4,130,000
2033	4,350,000
	<u>\$ 16,140,000</u>

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

4. General Obligation Refunding Bonds, Series 2014

On October 9, 2014, the District issued \$49,355,000 of its General Obligation Refunding Bonds, Series 2014. The proceeds of the bonds were used to refund the District's outstanding General Obligation Refunding Bonds, Series 2008, in the principal amount of \$10,000,000 and partially refund the District's outstanding General Obligation Refunding Bonds, Series 2009, in the principal amount of \$38,030,000. The 2008 bonds are considered to be defeased and have been removed from long-term debt. The partial refunded amount of the 2009 bonds is considered defeased and has been removed from the long-term debt.

Principal and interest are payable semi-annually on June 1 and December 1 at rates from 1% to 5%. The final maturity of the bonds is December 1, 2033.

Bonds maturing on or before December 1, 2024, are not subject to redemption prior to maturity. Bonds maturing on and after December 31, 2025, are subject to optional redemption prior to maturity at the option of the District at a redemption price equal to the principal amount thereof plus accrued interest to the redemption date.

The reacquisition price exceeds net carrying amount of the old debt by \$7,667,420. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The refunding resulted in a present value savings of \$3,235,000.

5. Defeasance of Debt

As noted above, proceeds of 2004 and 2014 refunding bond issuances were used to purchase U.S. government securities to retire previous bond issues (i.e. 1995, 2008, and 2009). Sufficient U.S. government, state and local governmental securities were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the District's financial records. The amount of the District's defeased debt is not readily determinable.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

E. Long-term Debt – Governmental Activities (continued)

6. Schedule of Future General Obligation Bond

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

Fiscal Year Ending	Debt	
	Total Principal	Total Interest
2017	\$ 2,115,000	\$ 2,186,875
2018	2,175,000	2,109,788
2019	2,250,000	2,017,038
2020	2,355,000	1,921,250
2021	2,445,000	1,849,700
2022 - 2026	13,475,000	7,812,050
2027 - 2031	17,185,000	4,197,275
2032 - 2034	11,955,000	729,700
Total	<u>\$ 53,955,000</u>	<u>\$ 22,823,676</u>
Add: Unamortized bond premium	<u>5,927,597</u>	
Total bonded debt	<u>\$ 59,882,597</u>	

7. Changes in Long-term Liabilities

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

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
Governmental Activities:					
General Obligation Bonds:					
Refunding, Series 2004	\$ 1,580,000	\$ -	\$ (1,580,000)	\$ -	\$ -
Bonds, Series 2009	5,200,000	-	(225,000)	4,975,000	950,000
Refunding, Series 2014	49,180,000	-	(200,000)	48,980,000	1,165,000
Unamortized bond premiums/discounts	6,325,761	-	(398,164)	5,927,597	-
Net Pension Liability	32,205,237	4,464,430	-	36,669,667	-
Accrued compensated absences	107,323	-	(2,407)	104,916	26,229
Total Governmental Activities	<u>\$ 94,598,321</u>	<u>\$ 4,464,430</u>	<u>\$ (2,405,571)</u>	<u>\$ 96,657,180</u>	<u>\$ 2,141,229</u>

For governmental activities, compensated absences are liquidated by the General Fund.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

F. Fund Balance Classifications

The District classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portions of loans receivable, etc.

Spendable Fund Balance:

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

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority, which is the School Board of the District. The District's original budget legislation begins with combining historical data, assessment of needs for the upcoming year and the District's platform to review, and/or make changes to each department's budget. The budget is formally presented to the School Board of the District via an advertised public process for their review, revisions and final approval by year-end. All subsequent budget requests made during the year, after School Board approval, must be presented via a public process and again approved by the School Board of the District. The District has committed \$2,375,196 for future year's expenditures as of June 30, 2016.

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

Unassigned – includes residual positive fund balance within the General Fund, which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes. The District uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents or contracts that prohibit this, such as grant agreements that require dollar for dollar spending. Additionally, the District would first use committed, then assigned, and lastly unassigned amounts when expenditures are made. The District does not have an adopted minimum fund balance policy; however, the District's budget includes calculations of targeted reserve positions, which is reported annually to the School Board of the District.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows

At June 30, 2016, the District reported a liability of \$36,669,667 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on District contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District proportion was 0.2398% as compared to its proportion of 0.2376% measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$3,925,097. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 484,227	\$ 1,528
Net difference between projected and actual earnings on pension plan investments	3,117,950	-
Changes in actuarial assumptions	-	518,206
Changes in proportionate share of contributions	319,168	-
Difference between actual and reported contributions recognized	3,993	-
Contributions subsequent to the measurement date	1,037,434	-
	\$ 4,962,772	\$ 519,734

Contributions subsequent to the measurement date of December 31, 2015, which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 959,835
2018	939,618
2019	868,114
2020	638,037
	\$ 3,405,604

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows (continued)

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired prior to 12/3/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows (continued)

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Govt / Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows (continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

III. Detailed Notes on All Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows (continued)

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

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

	1% Decrease █ (6.5%)	Current Discount Rate (7.5%)	1% Increase █ (8.5%)
Collective net pension liability	\$ 19,825,875,000	\$ 15,294,294,000	\$ 9,939,134,000
Proportionate share of net pension liability	\$ 47,534,606	\$ 36,669,667	\$ 23,830,112

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

IV. Other Information

A. Defined Benefit Pension Plan

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

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

IV. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

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

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

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

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

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

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

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

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

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

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

IV. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$1,888,190 for the year ended June 30, 2016.

B. Postemployment Healthcare Benefits

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

Funding Policy. The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the District's contributions to HCTF were approximately \$109,833, \$104,797, and \$99,200 respectively, equal to their required contributions.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

IV. Other Information (continued)

C. Defined Contribution Pension Plan

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

Funding Policy. Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. The employer contributions to the 401(k) Plan from the District for the years ended June 30, 2016, 2015 and 2014, were \$4,576, \$11,168, and \$17,751, respectively.

D. 403(b) Defined Contribution Pension Plan

Plan Description. The District offers participation in an independent 403(b) retirement savings plan. All employees are eligible except student teachers. Contribution limits are set by the IRS. The District contracts with American Fidelity Insurance Company ("AFPlanServ") as Plan Administrator. The District makes minimal contributions to the plan for a limited segment of grandfathered employees.

E. 457(b) Deferred Compensation Plan

Plan Description. The District has a deferred compensation plan created in accordance with IRC Section 457 for employees working 30 hours or more per week. This plan is administered by Waddell & Reed. Participation in the plan is optional. Contribution limits are set by the IRS. The District makes minimal contributions to the plan for limited segment of grandfathered employees.

F. Risk Management

Risk of Loss: The District is exposed to various risks of loss related to workers compensation, general liability, unemployment, torts, theft of, damage to, and destruction of assets, and error and omissions. The District carries commercial coverage for these risks and claims and does not expect claims to exceed their coverage. For the last three years, settled claims have not exceeded commercial insurance coverage, nor has there been any reduction in insurance coverage.

Pupil Counts: Each year the District submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute(s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

IV. Other Information (continued)

F. Risk Management (continued)

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The District believes its pupil count information is accurate and any adjustment would not be material.

Self-Insurance Fund: The District also offers health insurance to certain employees through the District's self-funded health plan with excess coverage underwritten by a commercial carrier. The District accumulates resources to pay health insurance costs but carries a stop loss policy for individuals for \$75,000 and an aggregate stop loss minimum exposure of \$1,901,709. Liabilities for retained risk claims are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported ("IBNR").

The following is a summary of the changes in the balances of claims liabilities during 2016 and 2015:

	2016	2015
Unpaid claims, beginning	\$ 262,978	\$ 153,914
New claims incurred	1,812,944	2,931,420
Claim payments	(1,774,122)	(2,822,356)
Unpaid claims, ending	\$ 301,800	\$ 262,978

G. Contingencies

1. Legal Claims

During the normal course of business, the District incurs claims and other assertions against it from various agencies and individuals. Management of the District and their legal representatives feel none of these claims or assertions are significant enough that they would materially affect the fairness of the presentation of the financial statements at June 30, 2016.

2. Federal Programs

Funds received from Federal grants are subject to audit and disallowance of ineligible cost. Management of the District feels any potential questioned or disallowed costs or liability arising from the Federal program audits would not materially affect the fairness of the presentation of the financial statements at June 30, 2016.

Gunnison Watershed School District RE-1J
Notes to the Financial Statements
June 30, 2016
(continued)

IV. Other Information (continued)

G. Contingencies (continued)

3. State Programs

The District receives payment for State equalization, State transportation and various other State revenues to fund programs. These grants and programs are subject to audit and may result in the District either refunding amounts due for overpayment or receiving additional revenue for underpayment by the State.

These adjustments can be material. The amount of these adjustments cannot be estimated or determined as of the date of these financial statements.

H. Colorado Department of Education Financing – Interest Free Loan Program

The Colorado Department of Education allows school districts to borrow funds up to the next year's estimated property tax collections for the specific district to cover operating expenditures. The program was established to assist districts who receive the majority of their program funding through local property taxes. Most property tax revenues are not received by school districts until the last four months of the fiscal year resulting in a cash flow deficit. The loans are repaid to the State as property taxes are collected.

In the fiscal year 2016, the District did not obtain any financing from the State of Colorado in order to meet the District's obligations.

Gunnison Watershed School District RE-1J

Required Supplementary Information



Gunnison Watershed School District RE-1J
General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Taxes:					
Property taxes levied for general purposes	9,218,339	8,753,620	8,777,335	23,715	8,163,948
Specific ownership taxes	811,000	852,000	962,629	110,629	788,793
Federal income	775,535	1,254,071	1,705,212	451,141	740,374
State income	5,586,499	5,938,209	6,064,812	126,603	5,802,664
Investment income	40,000	40,000	45,647	5,647	36,030
Other	126,724	128,160	142,799	14,639	247,279
Total revenues	<u>16,558,097</u>	<u>16,966,060</u>	<u>17,698,434</u>	<u>732,374</u>	<u>15,779,088</u>
EXPENDITURES					
Direct instruction	10,263,207	10,322,407	10,183,413	138,994	9,545,113
Indirect instruction	1,301,386	1,339,278	1,289,339	49,939	1,270,706
General administration	1,656,937	1,736,767	1,725,115	11,652	1,572,254
Support services	742,857	747,857	700,065	47,792	628,427
Custodial and maintenance	1,509,903	1,544,201	1,535,094	9,107	1,477,304
Transportation	685,755	659,908	626,833	33,075	626,995
Community service	3,831	3,831	1,504	2,327	5,728
Capital outlay	144,265	144,725	129,299	15,426	112,206
Total expenditures	<u>16,308,141</u>	<u>16,498,974</u>	<u>16,190,662</u>	<u>308,312</u>	<u>15,238,733</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>249,956</u>	<u>467,086</u>	<u>1,507,772</u>	<u>1,040,686</u>	<u>540,355</u>
OTHER FINANCING SOURCES (USES)					
Sale of fixed assets	-	15,463	15,613	150	5,463
Transfers in (out)	(943,486)	(943,486)	(842,066)	101,420	(304,679)
Total other financing sources (uses)	<u>(943,486)</u>	<u>(928,023)</u>	<u>(826,453)</u>	<u>101,570</u>	<u>(299,216)</u>
NET CHANGE IN FUND BALANCES	<u>(693,530)</u>	<u>(460,937)</u>	<u>681,319</u>	<u>1,142,256</u>	<u>241,139</u>
FUNDS BALANCES, BEGINNING			<u>3,632,110</u>		<u>3,390,971</u>
FUND BALANCES, ENDING			<u>4,313,429</u>		<u>3,632,110</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Food Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Food sales	279,910	252,410	334,105	81,695	298,786
Federal aid:					
Federal government meal reimbursement	175,000	175,000	204,810	29,810	193,298
USDA Commodity contribution	22,709	22,709	15,280	(7,429)	19,578
Other	26,225	16,225	11,752	(4,473)	4,958
State reimbursement	4,422	4,422	6,240	1,818	4,347
Total revenues	<u>508,266</u>	<u>470,766</u>	<u>572,187</u>	<u>101,421</u>	<u>520,967</u>
EXPENDITURES					
Salaries and employee benefits	416,851	407,683	392,391	15,292	330,753
Purchased services	3,500	3,500	966	2,534	5,082
Supplies	21,100	21,100	22,254	(1,154)	21,607
Food costs:					
Purchased food	357,109	352,109	280,947	71,162	248,626
Donated commodities	-	-	15,280	(15,280)	19,578
Other	-	3,700	2,387	1,313	-
Total expenditures	<u>798,560</u>	<u>788,092</u>	<u>714,225</u>	<u>73,867</u>	<u>625,646</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(290,294)</u>	<u>(317,326)</u>	<u>(142,038)</u>	<u>175,288</u>	<u>(104,679)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>193,486</u>	<u>193,486</u>	<u>92,066</u>	<u>(101,420)</u>	<u>104,679</u>
Total other financing sources	<u>193,486</u>	<u>193,486</u>	<u>92,066</u>	<u>(101,420)</u>	<u>104,679</u>
NET CHANGE IN FUND BALANCES	<u>(96,808)</u>	<u>(123,840)</u>	<u>(49,972)</u>	<u>73,868</u>	<u>-</u>
TOTAL NET POSITION, BEGINNING			<u>140,736</u>		<u>140,736</u>
TOTAL NET POSITION, ENDING			<u>90,764</u>		<u>140,736</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Pupil Activity Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Charges for services	916,333	1,137,670	1,040,994	(96,676)	1,005,793
Total revenues	<u>916,333</u>	<u>1,137,670</u>	<u>1,040,994</u>	<u>(96,676)</u>	<u>1,005,793</u>
EXPENDITURES					
Student activities	813,242	1,012,185	1,012,529	(344)	964,988
Capital outlay	1,450	1,450	904	546	2,553
Total expenditures	<u>814,692</u>	<u>1,013,635</u>	<u>1,013,433</u>	<u>202</u>	<u>967,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>101,641</u>	<u>124,035</u>	<u>27,561</u>	<u>(96,474)</u>	<u>38,252</u>
NET CHANGE IN FUND BALANCES	<u>101,641</u>	<u>124,035</u>	<u>27,561</u>	<u>(96,474)</u>	<u>38,252</u>
FUND BALANCES, BEGINNING			<u>442,502</u>		<u>404,250</u>
FUND BALANCES, ENDING			<u>470,063</u>		<u>442,502</u>

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
2014 Mill Levy Override Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Property taxes	2,445,460	2,445,460	2,428,835	(16,625)	2,456,993
Specific ownership taxes	49,144	-	-	-	58,132
Investment income	700	12,000	12,869	869	5,801
Total revenues	<u>2,495,304</u>	<u>2,457,460</u>	<u>2,441,704</u>	<u>(15,756)</u>	<u>2,520,926</u>
EXPENDITURES					
Direct instruction	1,806,087	2,025,221	1,825,595	199,626	543,791
Charter school allocation	50,542	-	-	-	-
Capital Outlay	345,400	345,400	338,554	6,846	384,091
Total expenditures	<u>2,202,029</u>	<u>2,370,621</u>	<u>2,164,149</u>	<u>206,472</u>	<u>927,882</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>293,275</u>	<u>86,839</u>	<u>277,555</u>	<u>190,716</u>	<u>1,593,044</u>
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	(514,788)
Total other financing sources	-	-	-	-	(514,788)
NET CHANGE IN FUND BALANCES	<u>293,275</u>	<u>86,839</u>	<u>277,555</u>	<u>190,716</u>	<u>1,078,256</u>
FUND BALANCES, BEGINNING			<u>1,078,256</u>		-
FUND BALANCES, ENDING			<u>1,355,811</u>		<u>1,078,256</u>

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of Employer's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.2398%	0.2376%	0.2357%
District's proportionate share of the net pension liability	\$ 36,669,667	\$ 32,205,237	29,234,402
District's covered payroll	\$ 10,767,904	\$ 10,274,179	\$ 9,754,147
District's proportionate share of the net pension liability as a percentage of its covered payroll	341%	313%	300%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	62.84%	64.07%

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

Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2016:

Note 1. Changes of assumptions.

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

The following programming changes were made:

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

The following methodology changes were made:

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

Note 2. Changes of benefit terms.

No changes during the years presented above.

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

No changes during the years presented above.

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J
Schedule of District Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 1,810,761	\$ 1,635,524	\$ 1,475,469
Contributions in relation to the contractually required contribution	<u>\$ (1,810,761)</u>	<u>\$ (1,635,524)</u>	<u>\$ (1,475,469)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 10,767,904	\$ 10,274,179	\$ 9,754,147
Contributions as a percentage of covered payroll	16.82%	15.92%	15.13%

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

Notes to the Schedule of District Contributions for the Year Ended June 30, 2016:

Note 1. Changes of benefit terms.

No changes during the years presented above.

Note 2. Changes of benefit terms.

No changes during the years presented above.

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

No changes during the years presented above.

The accompanying notes are integral part of these financial statements.

Gunnison Watershed School District RE-1J

Supplementary Information



GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Bond Redemption Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Property taxes	4,261,456	4,311,456	4,528,129	216,673	4,165,040
Investment income	10,000	10,000	14,647	4,647	17,157
Total revenues	<u>4,271,456</u>	<u>4,321,456</u>	<u>4,542,776</u>	<u>221,320</u>	<u>4,182,197</u>
EXPENDITURES					
Debt service:					
Principal	2,005,000	2,005,000	2,005,000	-	1,910,000
Interest and fiscal charges	2,265,056	2,275,056	2,265,056	10,000	1,910,032
Total expenditures	<u>4,270,056</u>	<u>4,280,056</u>	<u>4,270,056</u>	<u>10,000</u>	<u>3,820,032</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,400</u>	<u>41,400</u>	<u>272,720</u>	<u>231,320</u>	<u>362,165</u>
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	-	49,355,000
Premium on bonds	-	-	-	-	6,450,002
Payment to refunded bond escrow agent	(1,400)	(3,000)	(2,750)	250	(56,276,899)
Total other financing sources	<u>(1,400)</u>	<u>(3,000)</u>	<u>(2,750)</u>	<u>250</u>	<u>(471,897)</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>38,400</u>	<u>269,970</u>	<u>231,570</u>	<u>(109,732)</u>
FUND BALANCES, BEGINNING			<u>3,369,956</u>		<u>3,479,688</u>
FUND BALANCES, ENDING			<u>3,639,926</u>		<u>3,369,956</u>

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Capital Reserve Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund
Balances - Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Other revenue	-	-	-	-	-
Total revenues	-	-	-	-	-
EXPENDITURES					
Facilities	6,500	11,500	11,031	469	65,150
Technology	34,000	34,000	33,973	27	108,689
Equipment	31,000	29,985	28,985	1,000	-
Transportation	-	-	-	-	224,780
Total expenditures	71,500	75,485	73,989	1,496	398,619
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(71,500)	(75,485)	(73,989)	1,496	(398,619)
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	-	-	-	-	514,788
Total other financing sources	-	-	-	-	514,788
NET CHANGE IN FUND BALANCES	(71,500)	(75,485)	(73,989)	1,496	116,169
FUND BALANCES, BEGINNING			1,510,603		1,394,434
FUND BALANCES, ENDING			1,436,614		1,510,603

The accompanying notes are integral part of these financial statements.

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
Internal Service Fund
Health Services Fund
Schedule of Revenues, Expenditures and Changes in Net Position
Budget and Actual (GAAP Basis)
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for 2015)

	2016			Variance with Final Budget- Positive (Negative)	2015
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
REVENUES					
Insurance premiums	2,391,330	2,091,330	2,154,840	63,510	1,580,904
Stop loss reimbursements	-	300,000	104,459	(195,541)	999,225
Transfers in	750,000	750,000	750,000	-	200,000
Total revenues	3,141,330	3,141,330	3,009,299	(132,031)	2,780,129
EXPENDITURES					
Claim losses	2,640,033	2,640,033	1,372,773	1,267,260	2,433,652
Stop loss premiums and fees	501,297	501,297	401,349	99,948	388,704
Total expenditures	3,141,330	3,141,330	1,774,122	1,367,208	2,822,356
CHANGE IN NET POSITION	-	-	1,235,177	1,235,177	(42,227)
TOTAL NET POSITION, BEGINNING			59,212		101,439
TOTAL NET POSITION, ENDING			1,294,389		59,212

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



Colorado Department of Education
Auditors Integrity Report
 District: 1360 - GUNNISON WATERSHED RE1J
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	3,632,107	16,871,981	16,190,659	4,313,429
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	3,632,107	16,871,981	16,190,659	4,313,429
11 Charter School Fund	111,143	547,382	532,216	126,308
20,26-29 Special Revenue Fund	1,078,256	2,441,705	2,164,149	1,355,811
21 Food Service Spec Revenue Fund	140,736	664,252	714,225	90,764
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	442,502	1,040,994	1,013,434	470,062
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	3,369,956	4,542,776	4,272,806	3,639,926
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	1,510,603	0	73,989	1,436,614
Totals	10,285,303	26,109,089	24,961,478	11,432,914
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	59,212	854,459	-380,718	1,294,389
Totals	59,212	854,459	-380,718	1,294,389
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

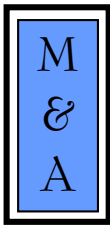
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*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.

Gunnison Watershed School District RE-1J

Single Audit Reports and Schedules





MCMAHAN AND ASSOCIATES, L.L.C.

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

**To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado**

We have audited, in accordance with U.S. generally accepted auditing standards 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, the business-type activities, each component unit, and each major fund of Gunnison Watershed School District RE-1J (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 5, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Member: American Institute of Certified Public Accountants

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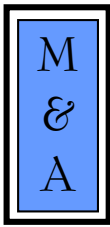
INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 5, 2016



MCMAHAN AND ASSOCIATES, L.L.C.

Certified Public Accountants and Consultants

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH UNIFORM GUIDANCE

**To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado**

Report on Compliance for Each Major Program

We have audited the compliance of the Gunnison Watershed School District RE-1J (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibilities

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

Auditor's Responsibilities

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

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

Opinion on Each Major Federal Program

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

Member: American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT
To the Board of Education
Gunnison Watershed School District RE-1J
Gunnison, Colorado

Report on Internal Control Over Compliance

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

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

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

Purpose of this Report

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

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
December 5, 2016

**Gunnison Watershed School District RE-1J
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016**

Part I: Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness identified	None noted
Significant deficiency identified	None noted
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations Part 200	None Noted
Major programs -	
Schools and Roads – Grants to States	CFDA# 10.665
Dollar threshold used to identify Type A from Type B programs	\$750,000
Identified as low-risk auditee	No

Part II: Findings Related to Financial Statements

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

Part III: Findings Related to Federal Awards

Internal control findings	None noted
Compliance findings	None noted
Questioned costs	None noted
Auditor assigned reference number	Not applicable

Gunnison Watershed School District RE-1J
SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2016

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

GUNNISON WATERSHED SCHOOL DISTRICT RE-1J
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS
Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Project Code	Major Program (Yes/No)	Expenditures
<u>U.S. Department of Education</u>				
Passed Through State Department of Education:				
Title I Part A	84.010	4010	No	\$ 303,636
IDEA Part B, Special Ed	84.027	4027	No	291,423
Carl Perkins Vocational & Applied Technology	84.048	4048	No	10,524
Part B (IDEA) Special Education: Preschool	84.173	4173	No	3,399
Title III Part A	84.365	4365	No	10,573
Title II, Part A, Teacher and Principal Training and Recruiting	84.367	4367	No	69,758
Race to the Top-Early Learning Challenge	84.412	5412	No	1,381
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>690,694</u>
<u>United States Forest Service</u>				
Passed through Gunnison County Schools & Roads - Grants to States				
	10.665	7665	Yes	906,258
TOTAL UNITED STATES FOREST SERVICE				<u>906,258</u>
<u>Department of Agriculture:</u>				
Passed through Colorado Department of Education:				
National School Lunch Program	10.555	4555	No	156,530
School Breakfast Program	10.553	4553	No	48,280
Summer Food Program	10.559	4559	No	11,752
Passed Through the Colorado Department of Human Services:				
Food Distributions, Commodities	10.555	4555	No	15,280
TOTAL DEPARTMENT OF AGRICULTURE				<u>231,842</u>
TOTAL FEDERAL ASSISTANCE				<u>\$ 1,828,794</u>

Additional information for Clusters:

A - Special Education Cluster (IDEA)	\$ 294,822
B - Child Nutrition Cluster	\$ 231,842

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

Note 1 - Basis of Presentation:

The Schedule of Expenditures of Federal Awards includes the federal grant activity of Gunnison Watershed School District RE-1J and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance")*. Therefore, some amounts presented in this schedule may differ from the amounts presented in, or used in the preparation of the basic financial statements.

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

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

Note 3 - Indirect Facilities and Administration Costs:

The District has elected to use the 10% de minimis cost rate allowed in §200.414, Indirect (F&A) Costs, of the Uniform Guidance.

Note 4 - Sub recipients:

Gunnison Watershed School District RE-1J did not provide any federal funds listed in the Schedule of Expenditures of Federal Awards to sub-recipients.