

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
LA JARA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2016

E

RECEIVED

By Justin L. Smith at 11:20 am, Dec 15, 2016



**Wall,
Smith,
Bateman** Inc.
Certified Public Accountants

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
LA JARA, COLORADO**

FINANCIAL STATEMENTS

June 30, 2016

NORTH CONEJOS SCHOOL DISTRICT RE-1J
TABLE OF CONTENTS
June 30, 2016

	Page
Independent Auditors' Report	1
Management's Discussion and Analysis	M1-M13
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	4
Statement of Activities	6
Governmental Fund Financial Statements:	
Balance Sheet	7
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Assets and Liabilities	11
Notes to the Basic Financial Statements	12
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	33
Schedule of the District's Proportionate Share of the Net Pension Liability - School Division	
Trust Fund PERA Pension Plan	34
Schedule of District Contributions- School Division Trust Fund PERA Pension Plan	35
Supplementary Information	
Combining Schedules of Nonmajor Governmental Funds:	
Combining Balance Sheet	36
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances	37
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Governmental Designated Purpose Grants Fund	38
Pupil Activity Fund	39
Food Service Fund	40
Capital Reserve Capital Projects Fund	41

NORTH CONEJOS SCHOOL DISTRICT RE-1J
TABLE OF CONTENTS
June 30, 2016

	<u>Page</u>
Single Audit Section	
Schedule of Expenditures of Federal Awards	42
Notes to the Schedule of Expenditures of Federal Awards	44
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	47
Schedule of Findings and Questioned Costs	50
Summary Schedule of Prior Year Audit Findings	53
Corrective Action Plan	54
 CDE Compliance Section	
Colorado School Districts Auditor's Integrity Report	

INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

Board of Education
North Conejos School District RE-1J
La Jara, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Conejos 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Changes in Accounting Principle

As described in Note 1 to the financial statements, the District previously reported activity of the Food Service Fund in a proprietary fund. Beginning in fiscal year 2015-2016, such activity has been reported in a special revenue fund. Also described in Note 1 to the financial statements, the District previously reported health insurance activity in an internal service fund. Beginning in fiscal year 2015-2016, such activity has been reported in the General Fund. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison, and pension information on pages M1-M11 and 33-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial schedules and the Colorado School Districts Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial schedules, the Colorado School Districts Auditor's Integrity Report, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial schedules, the Colorado School Districts Auditor's Integrity Report, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic 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 3, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." The signature is written in a cursive, flowing style.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 6, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

**North Conejos School District RE1-J
Management's Discussion & Analysis for
the Fiscal Year Ended June 30, 2016**

As management of the North Conejos School District, we offer readers of the District's Financial Statements this narrative overview and analysis of the financial activities of North Conejos School District for the fiscal year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the financial statements, which immediately follow this section.

Changes in accounting principle were made in FY 2016. In previous years, the Food Service Fund was treated as an enterprise fund. Beginning in FY 2016, the Food Service Fund activity has been more appropriately reported in a special revenue fund. The District previously reported the activity of the Health Insurance Fund in an internal service fund. Beginning in FY2016, such activity has been reported in the General Fund.

FINANCIAL HIGHLIGHTS

Financial highlights for the fiscal year ended June 30, 2016, are as follows:

- λ The final net position of the district is (\$3,057,128)
- λ State Equalization increased \$6,654,040, up from \$6,384,539, for an increase of \$269,501
- λ General Fund Revenues, primarily property taxes, state equalization payments and Federal Funds accounted for \$7,512,310 of all revenues.
- λ The district had \$9,946,057 in expenses related to governmental activities.

**North Conejos School District RE1-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016**

GOVERNMENTAL FUNDS:

The District has five governmental funds as determined by Governmental Accounting Standards Board Statement No. 34 (GASB 34). The major funds are the General Fund and Capital Reserve Capital Projects Fund.

- The General Fund had \$8,390,303 in revenues and \$7,915,660 in expenditures. The General Fund balance increased from \$4,368,546 to \$4,474,973 . This was an increase of \$106,427 .
- The Capital Reserve Capital Projects' fund balance increased \$868,715 to \$984,596 . This is an increase of \$115,881 .

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts: the Management's Discussion and Analysis, the basic financial statements, and supplementary information. The basic financial statements include two kinds of statements that present different views of the District.

- The first two statements are government -wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the government -wide statements.
- The governmental fund statements tell how basic services such as instruction were financed in the short-term, as well as, what remains for future spending.
- Fiduciary Fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.
- The net cost of Government Activities for the fiscal year decreased from (\$8,010,869) to (\$7,879,786)

**North Conejos School District RE1-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016**

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.

GOVERNMENT -WIDE STATEMENTS

The government -wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government -wide statements report the District's net position and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position is an indicator of whether its financial position is improving or deteriorating respectively.
- To assess the District's overall health, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the government -wide financial statements, the District's activities are reported as governmental activities :

- Both of the government -wide financial statements distinguish functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all of a significant portion of their costs through user fees and charges. Included in governmental activities are most of the District's basic services such as regular and special education, transportation, administration, and the food service program.

**North Conejos School District RE1-J
Management's Discussion & Analysis
For the Fiscal Year Ended June 30, 2016**

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has two kinds of funds:

- **Governmental Funds:** Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending.

Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information at the bottom of the governmental funds statements explains the relationship (or differences) between them.

- **Fiduciary Funds:** The District is the agent, or fiduciary, for assets that belong to others such as small scholarship funds and student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

**North Conejos School District RE1-J
Management's Discussion & Analysis for
the Fiscal Year Ended June 30, 2016**

NOTES TO THE BASIC FINANCIAL STATEMENTS

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the governmental -wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also contains other supplemental information concerning the District's non-major governmental funds. The combining statements of the non-major governmental funds are presented after the notes to the basic financial statements.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Government -wide Analysis:

The assets of the District are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenses are current assets. These 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 collection process, the District receives almost 60% of the annual property tax assessment in April, May, and June.

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

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, unearned revenues, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal year 2016. Long-term liabilities such as compensated absences payable will be liquidated from resources that will become available after fiscal year 2016. A comparative analysis is provided.

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30, 2016**

**Table I
Condensed Statement of Net Assets June 30, 2016**

	Governmental	Governmental	Business -Type	Business -Type	Total School	Total School
	Activities	Activities	Activities	Activities	District	District
	2015	2016	2015	2016	2015	2016
Assets :						
Current Assets	\$6,471,518	\$6,801,050	(\$40,950)	-	\$6,430,567	\$6,801,050
Capital Assets	\$8,224,516	\$8,135,319	\$39,806	-	\$8,264,323	\$8,135,319
Total Assets	\$14,696,034	\$14,936,369	(\$1,144)	-	\$14,694,890	\$14,936,369
Liabilities :						
Current	\$987,585	\$1,171,472	\$55,263	-	\$1,042,848	\$1,171,472
Long-Term	\$153,000	\$275,643	-	-	\$153,000	\$275,643
Net Pension	\$16,327,262	\$17,420,461	-	-	\$16,327,262	\$17,420,461
Total Liabilities	\$17,467,847	\$18,867,576	\$55,263	-	\$17,523,110	\$18,867,576
Decreased in/outflows	(\$138,566)	(\$874,079)	-	-	(\$138,566)	(\$874,079)
Net Position						
Net Investment in Capital Assets	\$8,224,517	\$8,135,319	\$39,806	-	\$8,264,323	\$8,135,319
Tabor reserve	\$230,000	\$260,000	-	-	\$230,000	\$260,000
Restricted	\$1,007,215	-	-	-	\$1,007,215	-
Unrestricted	\$3,980,352	(\$11,452,447)	(\$96,213)	-	\$3,884,139	(\$11,452,447)
Pension Benefits	(\$16,075,331)	-	-	-	(\$16,075,331)	-
Total Net Position	(\$2,633,247)	(\$3,057,128)	(\$56,407)	-	(2,689,654)	(\$3,057,128)

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30, 2016**

Table II

	Governmental	Governmental	Business-Type	Business-Type	Total School	Total School
	Activities	Activities	Activities	Activities	District	District
	2015	2016	2015	2016	2015	2016
Revenues:						
Program Revenues:						
Charges for Services	\$212,880	\$161,756	\$98,296	-	\$311,176	\$161,756
Operating Grants & Const.	\$900,844	\$1,527,886	\$307,631	-	\$1,208,475	\$1,527,886
Capital Grants & Const.	-	\$376,629	-	-	-	\$376,629
General Revenues	-	-	-	-	-	-
Property Taxes	\$657,332	\$652,806	-	-	\$657,332	\$652,806
Specific Own Tax	-	\$167,251	-	-	-	\$167,251
Other Taxes	\$118,737	\$4,264	-	-	\$118,737	\$4,264
State Equalization	\$6,384,539	\$6,654,040	-	-	\$6,384,539	\$6,654,040
Interest on Investments	\$15,408	\$25,043	\$72	-	\$15,480	\$25,043
Transfers	(\$49,248)	-	\$49,248	-	-	-
Miscellaneous	\$389,989	\$8,906	-	-	\$389,989	\$8,906
Total Revenues	\$8,630,481	\$9,578,581	\$455,247	-	\$9,085,728	\$9,578,581
Expenses:						
Instruction	\$5,775,617	\$6,027,073	-	-	\$5,775,617	\$6,027,073
Student Support Services	\$448,811	\$526,808	-	-	\$448,811	\$526,808
Instructional Staff	\$334,813	\$165,414	-	-	\$334,813	\$165,414
General Administration	\$517,775	\$606,395	-	-	\$517,775	\$606,395
School Administration	\$579,654	\$624,925	-	-	\$579,654	\$624,925
Business Supporting Services	-	\$58,897	-	-	-	\$58,897
Operations & Maintenance	\$760,941	\$700,445	-	-	\$760,941	\$700,445
Central Support Services	\$242,933	\$282,238	-	-	\$242,933	\$282,238
Student Transportation	\$429,387	\$464,078	-	-	\$429,387	\$464,078
Food Services	-	\$482,860	\$506,702	-	\$506,702	\$482,860
Facility Acquisition/Instruction	\$34,662	\$6,924	-	-	\$34,662	\$6,924
Total Expenses	\$9,124,593	\$9,946,057	\$506,702	-	\$9,631,295	\$9,946,057
Increase, (Decrease) In Net Assets	(\$494,112)	(\$367,476)	(\$51,455)	-	(\$545,568)	(\$367,476)

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30, 2016**

GOVERNMENTAL ACTIVITIES

The District uses fund accounting to ensure and demonstrate compliance with finance-related legal, federal, and state requirements. 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, unreserved fund balance may serve as a useful measure of the net resources available for spending at the end of the fiscal year.

The primary source of operation revenue for school districts comes from the School Finance Act of 1994 (SFA). Under the SFA, the District received \$7,266.67 per funded student. The funded pupil count for fiscal year 2016 was 963. Funding for the SFA comes from property taxes, specific ownership and state equalization. The District received \$6,654,040 of this funding from state equalization while the remaining amounts came from property taxes and specific ownership tax.

The statement of activities shows the cost of program services, the charges for services, and grants off-setting those services. Table III shows, governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by unrestricted state equalization and property taxes.

**Table III
Cost of Services - Governmental Activities for Fiscal Year 2016**

	Total Cost - 2015	Total Cost - 2016	Net Cost - 2015	Net Cost -2016
Instructional Program	\$5,775,617	\$6,027,073	(\$4,978,941)	(\$5,188,982)
Student Support Service	\$448,811	\$526,808	(\$235,931)	(\$209,864)
Instructional Staff Support Service	\$334,813	\$165,414	(\$334,813)	(\$161,914)
General Admin Support Service	\$517,775	\$606,395	(\$517,775)	(\$606,395)
School Admin Support Service	\$579,654	\$624,925	(\$579,654)	(\$624,925)
Business Support Service	-	\$58,897	-	(\$58,897)
Operation & Maintenance	\$760,941	\$700,445	(\$760,941)	(\$700,445)
Student Transportation	\$429,387	\$464,078	(\$325,220)	(\$375,054)
Central Support Service	\$242,933	\$282,238	(\$242,933)	(\$282,238)
Facility acquisition /construction	\$34,662	\$6,924	(\$34,662)	(\$40,777)
Food Service	-	\$482,860	-	\$369,705
Total Expenses	\$9,124,593	\$9,946,057	(\$8,010,870)	(\$7,879,786)

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30, 2016**

GENERAL FUND BUDGETARY HIGHLIGHTS

The NDSD's budget is prepared according to Colorado Law and is based on accounting for certain transactions on the modified accrual basis. Therefore, the District budgets each year for actual salaries for nine and ten month employees based on salaries for the school term of September to May but is paid over a time spanning September to August. The July and August salaries are accrued in the budgeted financial statements.

CAPITAL ASSETS AND DEBT ADMINISTRATION

On June 30, 2016, the District had \$ 14,563,283 invested in sites, land improvements, buildings, equipment and vehicles: which was used in governmental activities. Table IV shows the investment in capital assets net of depreciation expense for governmental activities .

**Table IV
Capital Assets at June 30, 2016
(Net of Depreciation)**

	Governmental	Governmental	Business-Type	Business-Type	Total School	Total School
	Activities	Activities	Activities	Activities	District	District
	2015	2016	2015	2016	2015	2016
Sites (LAND)	\$348,995	\$348,995	-	-	\$348,995	\$348,995
Construction in Progress	-	\$205,683	-	-	-	\$205,683
Land Improvements	\$1,474,592	\$848,622	-	-	\$1,474,592	\$848,622
Buildings	\$9,844,332	\$9,716,970	-	-	\$9,844,332	\$9,716,970
Equipment	\$1,019,795	\$2,055,594	\$181,891	-	\$1,201,686	\$2,055,594
Vehicles	\$1,387,419	\$1,387,419	-	-	\$1,387,419	\$1,387,419
Depreciation	(\$5,850,616)	(\$6,427,964)	(\$142,085)	-	(\$5,992,701)	(\$6,427,964)
Totals	\$8,224,517	\$8,135,319	\$39,806	-	\$8,264,323	\$8,135,319

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30, 2016**

For the Fiscal Year Long-Term Debt, is defined as “Early Retirement Bonus” for this report. As of June 30, 2016, this amount is \$189,000 due within one year. Table V details this outstanding debt and the portion due within one year for the District. Compensated absences of \$189,000 are considered paid when used or when it is bought back upon an employee retiring or resigning. Table compares that debt to fiscal year 2015.

**Table V Outstanding Debt
Current and Total at June 30, 2016**

	Governmental Activities		Governmental Activities	
	Due Within One Year/Total Debt		Due Within One Year/Total Debt	
	2015		2016	
Early Retirement Bonus Payable	-	\$ 153,000	-	\$189,000
Totals	-	\$153,000	-	\$189,000

FACTORS BEARING ON THE DISTRICT'S FUTURE

The district was aware of the following

- * Maintaining current staff levels and student enrichment programs while encountering a continued declining student enrollment .
- * Receiving less in state equalization.
- * Maintaining a fund balance in excess of 3 million dollars while adjusting for higher transportation and energy costs, water and sewer payment increase, and employee benefit costs.
- * Maintaining a fund balance while adjusting to higher overall maintenance costs due to outside services .

FACTORS AFFECTING FUTURE FUNDING OF THE NORTH CONEJOS SCHOOL DISTRICT RE-1J-cont.

THE NEGATIVE FACTOR:

Amendment 23, the citizen’s ballot initiative passed in 2000, mandates that “base” per pupil funding increase each year by the rate of inflation. To determine how much each district will receive under the School Finance Act, that “base” is run through a complex formula that includes variables such as school district size, local cost-of-living, and the number of “at-risk” kids (eligible for free lunch) in a district.

These variables are called “factors” and they substantially increase average per pupil funding received by school districts to reflect the very different costs districts experience. The factors exist to address the increased per pupil costs that result when, for instance, a high percentage of pupils are from at-risk populations or when the necessary costs of running a school and hiring staff are divided among a small student population in a rural district.

In 2009, the legislature reinterpreted Amendment 23 to mean that only the base amount was covered by the mandatory increases — not the factors. Under this interpretation, the legislature could (and did) cut total spending from one year to the next and claim compliance with Amendment 23 — despite voter intent to increase funding.

Starting in 2009, in order to make across-the-board cuts from all districts, the legislature added a new “budget stabilization” or “negative factor” to the School Finance Act formula. In effect, the legislature now decides how much it wants to spend on school finance, and then adjusts the negative factor to meet that funding target.

As seen in the graph below, the NCS D has operated since 2009 on \$6,223,715 less revenue than ordinarily distributed, and because those cuts are all coming from the factors, which are designed to make school funding more fair, equitable, and responsive to actual costs, these cuts exacerbate inequities in Colorado’s school finance structure, making educational opportunities even more dependent upon a student’s zip code.

The \$1 billion negative factor has resulted in larger class sizes, narrower curriculum, reduced instruction time, and less support and individual attention for students.

Inclusive of mid-year, budget stabilization and negative factor, the below statistics demonstrate the year by year effect of the negative factor to the NCS D.

2009-10: (181,708)	2013-14: (1,221,796)
2010-11: (517,653)	2014-15: (1,042,692)
2011-12: (1,004,175)	2015-16: (978,913)
2012-13: (1,276,777)	Total: (\$6,223,714)

To combat the negative factor in Colorado, many districts have sought a mill levy override, however the ability of the NCS D to recover lost funding via a voter-approved override is nominal.

- School districts have no control of what one mill can raise.
- One mill raises a low of less than \$4,000 to a high of over \$13,000,000.
- The average dollars raised by 1 mill is about \$500,000.
- The median is \$110,000.

The North Conejos School District would raise only \$30,429 per mill approved at the time of this audit.

**North Conejos School District RE1-J
Management's Discussion & Analysis
for the Fiscal Year Ended June 30,
2016**

STUDENT ENROLLMENT

Student enrollment, dictating the state equalization funding, has slightly declined since October of 2010 as follows:

2010: 1033
2011: 998
2012: 1039
2013: 1004
2014: 964
2015: 980
2016: 963

SECURE RURAL SCHOOLS (SRS) FUNDS

At the time of this audit, SRS funds have not been approved legislatively for the future. Ranging historically as a revenue of approximately \$225,000 to the district, no bill re-establishing this funding, in lieu of the area being heavily forested by federal land which provides no tax revenue to the district, has been approved.

CONTACT THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizen, taxpayers, parents, Investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Superintendent's Office at P.O. Box 72 La Jara, CO 81140.

NORTH CONEJOS SCHOOL DISTRICT RE-1J

BASIC FINANCIAL STATEMENTS

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF NET POSITION
June 30, 2016

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 6,561,593
Accounts Receivable	3,868
Property Tax Receivable	47,945
Due from Other Governments	183,463
Inventories	4,181
Total Current Assets	6,801,050
Noncurrent Assets	
Capital Assets	
Construction in Progress	205,683
Land	348,995
Land Improvements	848,622
Buildings	9,716,970
Equipment	2,055,594
Vehicles	1,387,419
Less Accumulated Depreciation	(6,427,964)
Total Noncurrent Assets	8,135,319
TOTAL ASSETS	14,936,369
DEFERRED OUTFLOWS OF RESOURCES	
Pension	2,181,226
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,181,226
LIABILITIES	
Current Liabilities	
Accounts Payable	136,387
Accrued Salaries and Benefits	991,383
Unearned Grant Revenue	42,727
Compensated Absences	975
Total Current Liabilities	1,171,472
Noncurrent Liabilities	
Early Retirement Bonus	189,000
Compensated Absences	86,643
Pension Liability	17,420,461
Total Noncurrent Liabilities	17,696,104
TOTAL LIABILITIES	18,867,576

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF NET POSITION
June 30, 2016

	<u>Primary Government</u> <u>Governmental</u> <u>Activities</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions	1,259,202
Unavailable Revenue- Property Tax	<u>47,945</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,307,147</u>
NET POSITION	
Net Investment in Capital Assets	8,135,319
Restricted for	
TABOR	260,000
Unrestricted	<u>(11,452,447)</u>
TOTAL NET POSITION	<u><u>\$ (3,057,128)</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenues and Changes in Net Position
					Primary Government
Primary Government					
Governmental Activities					
Instructional Program	\$6,027,073	\$ -	\$ 838,091	\$ -	\$ (5,188,982)
Student Supporting Services	526,808	42,615	274,329	-	(209,864)
Instructional Staff Supporting Services	165,414	-	3,500	-	(161,914)
General Administration Supporting Services	606,395	-	-	-	(606,395)
School Administration Supporting Services	624,925	-	-	-	(624,925)
Business Supporting Services	58,897	-	-	-	(58,897)
Operations and Maintenance of Plant Services	700,445	-	-	-	(700,445)
Student Transportation Services	464,078	-	89,024	-	(375,054)
Central Supporting Services	282,238	-	-	-	(282,238)
Food Services	482,860	119,141	322,942	-	(40,777)
Facilities Acquisition and Construction Service	6,924	-	-	376,629	369,705
Total Governmental Activities	<u>9,946,057</u>	<u>161,756</u>	<u>1,527,886</u>	<u>376,629</u>	<u>(7,879,786)</u>
Total Primary Government	<u>\$9,946,057</u>	<u>\$ 161,756</u>	<u>\$ 1,527,886</u>	<u>\$ 376,629</u>	<u>(7,879,786)</u>
General Revenues					
Taxes					
					652,806
					167,251
					4,264
					6,654,040
					25,043
					8,906
Total General Revenues					<u>7,512,310</u>
Change in Net Position					<u>(367,476)</u>
Net Position, Beginning of Year, As Previously Stated					(2,633,247)
Change in Accounting Principle					<u>(56,405)</u>
Net Position, Beginning of Year, Restated					<u>(2,689,652)</u>
Net Position, End of Year					<u><u>\$ (3,057,128)</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE -1J
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2016

	GENERAL FUND	CAPITAL RESERVE CAPITAL PROJECTS FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash and Cash Equivalents	\$ 5,267,684	\$ 1,019,993	\$ 273,916	\$ 6,561,593
Accounts Receivable	613	-	3,255	3,868
Property Tax Receivable	47,945	-	-	47,945
Due from Other Governments	35,569	108,868	39,026	183,463
Due from Other Funds	81,657	-	5,988	87,645
Inventory	-	-	4,181	4,181
TOTAL ASSETS	\$ 5,433,468	\$ 1,128,861	\$ 326,366	\$ 6,888,695
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ (7,497)	\$ 144,265	\$ (381)	\$ 136,387
Due to Other Funds	5,988	-	81,657	87,645
Accrued Salaries and Benefits	912,059	-	79,324	991,383
Unearned Grant Revenue	-	-	42,727	42,727
TOTAL LIABILITIES	910,550	144,265	203,327	1,258,142
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenue - Property Tax	47,945	-	-	47,945
TOTAL DEFERRED INFLOWS OF RESOURCES	47,945	-	-	47,945
FUND BALANCE				
Nonspendable				
Inventory	-	-	4,181	4,181
Restricted				
TABOR 3% Reserve	260,000	-	-	260,000
Committed				
Capital Projects	-	984,596	-	984,596
GDPG	-	-	2,075	2,075
Pupil Activities	-	-	193,116	193,116
Unassigned	4,214,973	-	(76,333)	4,138,640
TOTAL FUND BALANCE	4,474,973	984,596	123,039	5,582,608
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 5,433,468	\$ 1,128,861	\$ 326,366	\$ 6,888,695

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2016**

Total governmental fund balances		\$ 5,582,608
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		8,135,319
Deferred results and contributions to pension plans made after the measurement date are recorded as expenditures in the governmental funds but must be deferred in the statement of net position		2,181,226
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.		
Early Retirement Bonus Payable	\$ (189,000)	
Compensated Absences	<u>(87,618)</u>	
		(276,618)
Net pension liabilities are not due and payable in the current period and are not reported in the funds.		(17,420,461)
Certain amounts related to the net pension liability are deferred and amortized over time. These are not reported in the funds.		<u>(1,259,202)</u>
Net position of governmental activities		<u><u>\$ (3,057,128)</u></u>

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2016

	GENERAL FUND	CAPITAL RESERVE CAPITAL PROJECTS FUND	TOTAL NONMAJOR FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 883,457	\$ 2,674	\$ 368,595	\$ 1,254,726
State Sources	7,293,035	113,126	31,337	7,437,498
Federal Sources	213,811	-	672,546	886,357
TOTAL REVENUES	8,390,303	115,800	1,072,478	9,578,581
EXPENDITURES				
Instructional Program	5,020,049	205,683	379,244	5,604,976
Student Supporting Services	231,824	-	249,087	480,911
Instructional Staff Supporting Services	158,079	-	-	158,079
General Administration Supporting Services	586,050	-	-	586,050
School Administration Supporting Services	589,102	-	-	589,102
Business Supporting Services	58,897	-	-	58,897
Operations and Maintenance of Plant Services	614,516	23,505	-	638,021
Student Transportation Services	380,120	-	-	380,120
Central Supporting Services	277,023	-	-	277,023
Food Services	-	-	462,916	462,916
Facilities Acquisition and Construction Services	-	34,234	-	34,234
TOTAL EXPENDITURES	7,915,660	263,422	1,091,247	9,270,329
Excess (Deficiency) of Revenues Over Expenditures	474,643	(147,622)	(18,769)	308,252
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	263,503	104,713	368,216
Transfers to Other Funds	(368,216)	-	-	(368,216)
TOTAL OTHER FINANCING SOURCES (USES)	(368,216)	263,503	104,713	-
Net Change in Fund Balance	106,427	115,881	85,944	308,252
FUND BALANCE, Beginning of Year, As Previously Stated	4,325,265	868,715	138,501	5,332,481
Change in Accounting Principle	43,281	-	(101,406)	(58,125)
FUND BALANCE, Beginning of Year, Restated	4,368,546	868,715	37,095	5,274,356
Fund Balance, End of Year	\$ 4,474,973	\$ 984,596	\$ 123,039	\$ 5,582,608

NORTH CONEJOS SCHOOL DISTRICT RE-1J
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016

Net change in fund balances - total governmental funds \$ 308,252

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

Governmental funds report capital outlay 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 difference between capital outlay and depreciation in the current period.

Fixed asset additions	\$ 305,927	
Depreciation expense	<u>(434,931)</u>	(129,004)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	(87,618)	
Early Retirement Bonus Payable	<u>(36,000)</u>	(123,618)

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This items consists of the change in pension expense.

(423,106)

Change in net position of governmental activities \$ (367,476)

NORTH CONEJOS SCHOOL DISTRICT RE-1J
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
June 30, 2016

	<u>AGENCY FUND</u>
ASSETS	
Cash in Bank	\$ 28,814
TOTAL ASSETS	<u>\$ 28,814</u>
LIABILITIES	
Held for Scholarships	<u>28,814</u>
TOTAL LIABILITIES	<u>\$ 28,814</u>

The accompanying notes are an integral part of this financial statement.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the District reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in *Governmental Accounting and Financial Reporting Standards*. The District's significant accounting policies are described below.

REPORTING ENTITY

Primary Government

North Conejos School District RE-1J is a public school as established by Colorado State Statute. The District is declared to be a corporate body with perpetual existence and in its name may hold property, sue and be sued, and be a party to contracts for any purpose authorized by law. Members of the school board are voted on at large by the registered, qualified electors of the District. Taxes are levied upon all taxable property within the District's boundaries by the County Commissioners. The County Treasurer collects the taxes and remits them to the school district. The District also receives State and Federal funds. The school board has the authority to issue bonds up to 20% of the latest assessed valuation of the taxable property in the District. The board also has authority to select the depository of school funds and acquire short-term loans.

Component Units

The District's combined financial statements include the accounts of all District operations. The criteria for including organizations as component units within the District's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- § The organization is legally separate (can sue and be sued in their own name)
- § The District holds the corporate powers of the organization
- § The District appoints a voting majority of the organization's board
- § The District is able to impose its will on the organization
- § The organization has the potential to impose a financial benefit/burden on the District
- § There is fiscal dependency by the organization on the District
- § The organization is financially accountable to the District
- § The organization receives or holds funds that are for the benefit of the District; and the District has access to a majority of the funds held; and the funds that are accessible are also significant to the District

Based on the aforementioned criteria, the North Conejos School District RE-1J has no component units.

GOVERNMENT -WIDE AND FUND FINANCIAL STATEMENTS

The government -wide financial statements include the statement of net position and the statement of activities. Government -wide statements report information on all of the activities of the District, except for District fiduciary activity. The effect of interfund transfers has been removed from the government -wide statements but continues to be reflected on the fund statements. Mainly taxes and intergovernmental revenues support governmental activities.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

The statement of activities reflects the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include:

- § Charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and
- § Grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the fiduciary funds are excluded from the government-wide financial statements. The emphasis of fund financial statements is on major governmental funds each reported as a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants are recognized as revenue when all applicable eligibility requirements, imposed by the provider, are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The District reports the following major governmental funds:

- § The **General Fund** is the general operating fund of the District. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- § The **Capital Reserve Capital Projects Fund** is used to account for the acquisition of sites, buildings, equipment, and vehicles.

Fiduciary fund financial statements consist of the Agency Fund. The Agency Fund was established to record transactions relating to assets held by the District as an agent for scholarships. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between governmental activities and business-type activities, which are presented as internal balances and eliminated in the total primary government column.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash in bank, certificates of deposit, and liquid investments with maturity of three months or less.

Property Taxes

Property taxes attach as an enforceable lien on property as of January 1 each year. The taxes are payable in two installments on February 28 and June 15 or in full on April 30. The District's property taxes are collected by the County Treasurer who remits monthly receipts to the District. Property tax revenue is recognized when received by the County Treasurer.

Uncollected property taxes that became an enforceable lien January 1, 2016, has been recorded in the financial statements as an asset and a corresponding deferred inflow of resources .

Receivables/Payables From Other District Funds

Balances that originate from current lending/borrowing arrangements between funds are referred to as "Due To/From Other Funds".

Inventories

Purchased inventories are stated at cost and consist of supplies and food to be used within one year. Donated inventory is priced at the U.S. Department of Agriculture established values.

USDA Commodities

The Food Service Fund receives donated commodities to use in meal preparation from the U.S. Department of Agriculture. The value of these commodities received during the year is shown as income, and the value of commodities used is shown as an expenditure .

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include land, land improvements, buildings, equipment, vehicles, and construction in progress, are reported in the applicable governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$5,000. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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 assets lives are not capitalized. When assets used in the operation of the governmental fund types are sold, the proceeds of the sale are recorded as revenues in the appropriate fund.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Land Improvements	5-20
Buildings	5-75
Equipment	3-20
Vehicles	4-15

Long-Term Obligations

Long-term debt and other long-term obligations are recorded as liabilities in the government-wide financial statements. In the fund financial statements for governmental fund types, debt proceeds are reported as an other financing source and debt payments are reported as debt service expenditures. The District records long-term debt of governmental funds at the face value.

Voluntary Early Retirement Bonus Plan

All employees shall be eligible to participate upon completion of 20 years of service, the last 10 of which are to be uninterrupted service to the District. Any employee with fewer than 20 years but at least 15 years of uninterrupted service to the District can elect early retirement with a loss of five percent for each year short of the minimum 20 years.

Compensated Absences

Certified staff of the District receive 10 days each contract year for personal leave and classified staff receive eight days. Personal leave may be accumulated without limit. Upon termination of employment for reasons other than retirement, an employee shall be paid for a maximum of 12 days of accrued personal leave not taken based on the current rate of pay for a substitute. In the event of death, such payment shall be made to the employee's estate. An employee who is eligible for retirement in accordance with the Public Employees Retirement Association shall be paid for one-fourth of all accrued personal leave not taken on the rate of pay for a substitute not to exceed payment for more than 30 days of accrued personal leave. A liability is accrued in the government-wide financial statements.

Unearned Grant Revenue

Revenues on grants, which are restricted by the grant document for specific purposes, are recognized as revenue only after eligible grant costs have been incurred. Grant funds received in excess of grant expenditures are recorded as unearned revenues.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This represents a consumption of net position that applied to a future period(s) and will not be recognized as an outflow of resources (as either an expense or expenditure) until that period.

In addition to liabilities, the balance sheet reports a separate section of deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

Certain amounts related to pensions must be deferred.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

Pensions

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net position should be displayed in the following three components:

- § *Net investment in capital assets* – consists of capital assets, net accumulated depreciation, reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt should be included in this component of net position.
- § *Restricted* – consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Restricted assets consist of assets that have limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- § *Unrestricted* – consists of the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

Fund Balance

Fund balances are reported by classification based on the extent to which the District is bound to honor constraints for the specific purposes on which amounts in the fund can be spent. Fund balances are classified in one of the following five categories:

- § *Nonspendable Fund Balance* – amounts that cannot be spent because they are not in spendable form, such as inventory and prepaid expenditures .
- § *Restricted Fund Balance* – amounts restricted when constraints placed on the use of resources are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation.
- § *Committed Fund Balance* – amounts that can only be used for specific purposes as a result of constraints imposed through adopted resolution by the Board of Education, the highest level of decision making authority. Committed amounts cannot be used for any other purpose unless the Board removes those constraints by taking the same type of action. Committed fund balances differ from restricted balances because the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.
- § *Assigned Fund Balance* – amounts a government intends to use for a specific purpose; intent can be expressed by the Board of Education or by an official or body to which governing body delegates the authority.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

§ *Unassigned Fund Balance* – amounts that are available for any purpose; these amounts are reported only in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted net position/fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, and unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board of Education has provided otherwise in its commitment or assignment actions.

Encumbrances

The District records purchase orders in the accounting system. Unfulfilled purchase commitments outstanding at the end of the budget year are rebudgeted in the succeeding year. End of the year fund balance intended to be used in the succeeding year is reported as assigned fund balance.

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Changes in Accounting Principle

Restatement of Net Position and Fund Balance

Food Service Fund

The District previously reported the activity of the Food Service Fund in a proprietary fund. Beginning in fiscal year 2015-2016, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$(101,406), which is equal to the net current assets and current liabilities previously reported in the proprietary fund. All remaining assets and liabilities, including net position of \$(39,806), previously reported in the proprietary fund are not recognized at the fund level under modified accrual, and have been reclassified as assets and liabilities of the governmental activities as of July 1, 2015.

	Governmental Activities	Food Service Fund
Change in Accounting Principle - Food Service Fund		
Unrestricted Fund Balance/Net Position	\$ (101,406)	\$ 101,406
Net Investment in Capital Assets	39,806	(39,806)
	\$ (61,600)	\$ 61,600

Internal Service Fund

The District previously reported the activity of the Health Insurance Fund in an internal service fund. Beginning in fiscal year 2015-2016, such activity has been reported in the General Fund. Accordingly, the general fund reports an additional health insurance assigned fund balance of \$43,281, which is equal to the FY 2015 ending fund balance previously reported in the internal service fund. Governmental activities net position has been restated \$(5,184) for the business-type activities portion of the Internal Service Fund reported at June 30, 2015.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

	General Fund/ Governmental Activities	Internal Service Fund
Change in Accounting Principle - Internal Service Fund		
Committed Fund Balance - General Fund	\$ 43,281	\$ (43,281)
Unrestricted Net Position - Governmental Activities	\$ (5,194)	

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Accounting

North Conejos School District RE-1J follows the procedures set forth in the Colorado School District Budget Law when preparing annual budgets for each fund. Budget procedures include:

- 1) Preparation of budget documents by administrative staff shall be submitted to the Board no later than June 1 of each year.
- 2) Publication of a notice stating that the budget is available for public inspection.
- 3) Discussion of the budget in a meeting open to the public.
- 4) Adoption of the budget in a public meeting by appropriate resolution.

Formal budgetary integration is employed as a management control device for all funds of the District. All fund budgets are adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

The total expenditures for each fund cannot exceed the budgeted amount unless a supplemental appropriation is adopted. All budget amounts presented in the accompanying supplementary information reflect the original budget and the final amended budget, if applicable.

Stewardship

A budget was not adopted for the Trust and Agency Fund. This may be a violation of Colorado Revised State Statutes 22-44-110(4).

Expenditures in the following funds exceeded appropriations during FY 2016. This may be a violation of Colorado Revised State Statutes 22-44-115(1).

Food Service Fund	\$ 29,972
Special Revenue Activity Fund	249,087

The following funds have a deficit fund balance as of June 30, 2016. This may be a violation of Colorado Revised State Statute 22-44-102(7.3).

Food Service Fund	\$ 72,152
-------------------	-----------

The Capital Reserve Capital Projects Fund budgeted for a deficit fund balance as of June 30, 2016 of \$44,029. This may be a violation of Colorado Revised Statute 22-44-102(7.3).

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 3 CASH AND DEPOSITS

A summary of Cash and Deposits for the District are as follows:

Cash in Bank	\$ 5,341,794
Cash on Hand	224
ColoTrust Investments	1,248,389
Less: amounts related to Agency Funds	(28,814)
Total cash and deposits on the Statement of Net Position	\$ 6,561,593

Cash and Deposits

Colorado State Statutes govern the District's deposits of cash. The statutes specify eligible depositories for public cash deposits, which must be Colorado institutions and must maintain federal insurance (FDIC) on deposits held.

The Colorado Public Deposit Protection Act (PDPA), requires that all units of local government deposit cash in eligible public depositories, determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized in accordance with the PDPA. PDPA allows the institution to create a single collateral pool for all public funds to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, \$4,618,348 of the District's bank balance of \$5,629,406 was exposed to custodial credit risk. Deposits exposed to credit risk are collateralized with securities held by the pledging financial institution through PDPA.

Custodial Credit Risk – Investments

The District does not have an investment policy that calls for diversification within the portfolio to avoid unreasonable risk inherent in over-investing in specific instruments, individual financial institutions, or maturities. As of June 30, 2016, the local government investment pools (ColoTrust) in which the District had invested were rated AAAA by Standard & Poor's, Fitch, and Moody's.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016, consisted of the following:

General Fund	\$ 613
Food Service Fund	3,255
	\$ 3,868

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 5 DUE FROM OTHER GOVERNMENTS

Intergovernmental receivables include amounts due from grantors for specific program grants. Program grants are recorded as receivables and revenues at the time reimbursable project costs are incurred. As of June 30, 2016, the District had \$183,463 due from Federal, State, and Local governments, reflected as due from other governments in the accompanying basic financial statements.

NOTE 6 INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Receivables/Payables

The District reports interfund balances between many of its funds. The balances resulted 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. Interfund balances are generally expected to be repaid within one year of the financial statement date.

Interfund receivable and payable balances at June 30, 2016, were as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 81,657
Governmental Designated Purpose Grants Fund	General Fund	5,988
		\$ 87,645

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, were as follows:

Transfer In	Transfer Out	Amount
Food Service Fund	General Fund	\$ 50,000
Pupil Activity Fund	General Fund	54,713
Capital Reserve Capital Projects Fund	General Fund	263,503
		\$ 368,216

The General Fund transfers were made to subsidize the Food Service Fund, Pupil Activity Fund and Capital Reserve Capital Projects Fund.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 7 CAPITAL ASSETS

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

	Balance 6/30/2015	Reclassification	Additions	Deletions	Balance 6/30/2016
<i>Governmental Activities</i>					
Capital Assets Not Being Depreciated					
Land	\$ 348,995	\$ -	\$ -	\$ -	\$ 348,995
Construction in progress	-	-	205,683	-	205,683
Total capital assets not being depreciated	<u>348,995</u>	<u>-</u>	<u>205,683</u>	<u>-</u>	<u>554,678</u>
Capital Assets Being Depreciated					
Land Improvements	1,474,592	(625,970)	-	-	848,622
Buildings	9,844,332	(154,672)	27,310	-	9,716,970
Equipment	1,019,795	979,931	55,868	-	2,055,594
Vehicles	1,387,419	-	-	-	1,387,419
Total Capital Assets Being Depreciated	<u>13,726,138</u>	<u>199,289</u>	<u>83,178</u>	<u>-</u>	<u>14,008,605</u>
Less: Accumulated Depreciation For					
Land Improvements	315,537	-	50,485	-	366,022
Buildings	3,596,617	-	197,519	-	3,794,136
Equipment	895,221	142,417	120,268	-	1,157,906
Vehicles	1,043,241	-	66,659	-	1,109,900
Total Accumulated Depreciation	<u>5,850,616</u>	<u>142,417</u>	<u>434,931</u>	<u>-</u>	<u>6,427,964</u>
Net Capital Assets being depreciated	<u>7,875,522</u>	<u>56,872</u>	<u>(351,753)</u>	<u>-</u>	<u>7,580,641</u>
Total Capital Assets	<u>\$ 8,224,517</u>	<u>\$ 56,872</u>	<u>\$ (146,070)</u>	<u>\$ -</u>	<u>\$ 8,135,319</u>
<i>Business-type Activities</i>					
Equipment	\$ 181,891	\$ (181,891)	\$ -	\$ -	\$ -
Less: Accumulated Depreciation	(142,085)	142,085	-	-	-
Total Capital Assets	<u>\$ 39,806</u>	<u>\$ (39,806)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

In addition to the effects of the food service fund being reported in a special revenue fund, other capital asset account beginning balances were reclassified to conform to 2016 financial statement presentation. This adjustment resulted in an overall affect of \$56,872 as detailed in the table above.

Depreciation expense was charged to functions/programs of the primary government as follows:

<i>Governmental Activities</i>	
Instructional Program	\$ 263,244
General Administration Supporting Services	2,100
Operations and Maintenance of Plant Services	96,355
Student Transportation Services	66,659
Food Services	6,573
Total depreciation expense - governmental activities	<u>\$ 434,931</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 8 ACCRUED SALARIES AND BENEFITS

The teachers, administrators, and the administrative staff are employed under nine, ten, and eleven month contracts. All District employees are paid on a twelve-month basis, therefore, a difference exists between the actual amount of salaries earned under the contract and the amount paid. The difference between salaries earned and paid, including the District's share of benefits, has been accrued in the financial statements in the amount of \$991,383.

NOTE 9 OPERATING LEASES

The District has entered into an operating lease arrangement for several copy machines. This lease is considered for accounting purposes an operating lease. Lease expenses for the year totaled \$32,273.

NOTE 10 LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

The District adopted a Voluntary Early Retirement of Professional Staff Members program. Administrators, counselors, teachers, and all other personnel that meet the eligibility requirements of the program shall be awarded an early retirement bonus in accordance with the terms and conditions of this policy. The estimated liability at June 30, 2016 for the Voluntary Early Retirement of Professional Staff Members program is \$189,000.

Long-term liability balances for the year ended June 30, 2016, were as follows:

	Balance				Balance	Due
	6/30/2015	Reclassifying	Additions	Deletions	6/30/2016	Within
						One Year
<i>Governmental Activities</i>						
Early Retirement Bonus Payable	\$ 153,000	\$ -	\$ 36,000	\$ -	\$ 189,000	\$ -
Compensated Absences	-		87,618	-	87,618	975
Total Governmental Activities	<u>\$ 153,000</u>	<u>\$ -</u>	<u>\$ 123,618</u>	<u>\$ -</u>	<u>\$ 276,618</u>	<u>\$ 975</u>

NOTE 11 DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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.

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 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.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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:

	For the Year Ended December 31,	
	2016	2015
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	-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 ¹	4.50%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.00%
	18.13%	17.33%

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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 \$877,676, for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$17,420,461 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, District's proportion was 0.11 percent, which was a decrease of 0.007 percent from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the District recognized pension expense of \$423,106. 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	\$ 230,039	\$ (768)
Net difference between projected and actual earnings on pension plan investments	1,496,574	-
Changes in assumption	-	(246,180)
Changes in proportion	-	(1,012,254)
Differences between contributions recognized and share of contributions	1,966	-
Contributions subsequent to the measurement date	452,647	-
Total	\$ 2,181,226	\$ (1,259,202)

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

\$452,647 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2017	\$ (64,353)
2018	(2,367)
2019	232,353
2020	303,742
Thereafter	-

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 after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

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

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

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

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

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

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.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

- § 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.

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%)
Proportionate share of the net pension liability	\$ 22,582,009	\$ 17,420,461	\$ 13,127,016

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

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 12 OTHER POSTEMPLOYMENT BENEFITS

Health Care Trust Fund

Plan Description – The District contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive 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 contributions to the HCTF were \$50,482, \$51,188, and \$53,305, respectively, equal to their required contributions for each year.

NOTE 13 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 – The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions, and investment earnings. For the year ended June 30, 2016 program members contributed \$21,040 for the Voluntary Investment Program.

NOTE 14 JOINT VENTURES

The District participates in the following entity. This joint venture does not meet the criteria for inclusion within the reporting entity because the following entity:

- § is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- § has a separate governing board from that of the District,
- § has a separate management which is responsible for day-to-day operations and is accountable to the separate governing board,
- § has governing boards and management with the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

over facilities and determining the outcome for disposition of matters affecting the recipients of services provided, and

- § has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

San Luis Valley Board of Cooperative Educational Services (BOCES)

The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The Board of the BOCES is selected from the elected members of the District Boards. The District has one member on the Board. This Board has final authority for all budgeting and financing of the joint venture. The District's share of the joint venture is approximately 7% at June 30, 2016. Complete separate financial statements may be obtained from BOCES.

Colorado School Districts' Self-Insurance Pool

The District belongs to the Colorado School Districts' Self-Insurance Pool. The Pool was established by the Colorado Association of School Boards (CASB) to provide insurance coverage to participants in the areas of General Liability, Errors and Omissions, Automobile Liability, Auto Physical Damage, Auto Personal Injury Protection, Real and Personal Property, Crime, and other coverage. The Board of Directors is composed of eight persons, several of who are appointed by the Board of Directors of CASB and the Executive Director of CASB. The pool is managed by an independent manager chosen by the Board of Directors. Each member's initial contribution and subsequent contributions are determined by the Pool based on factors including, but not limited to, the aggregate Pool claims, the cost of administrative and other operating expenses, the number of participants, the adequacy of both Operating and Reserve Funds and other factors touching on the status of the Pool or an individual participant, and as approved by the Colorado Insurance Commissioner.

As the District did not exercise oversight responsibility nor have sufficient control over Pool activities, the Pool is not a component unit of the District and only the District's share of contributions to the Pool is recorded as expenditures in the General Fund. The District's share in the Pool is not determinable from current information, but is estimated to be less than 1%. The District's share, if calculated, would not be material to the Pool's financial information at June 30, 2016. Complete separate financial statements may be obtained from the Colorado School Districts' Self-Insurance Pool.

NOTE 15 COMMITMENTS AND CONTINGENCIES

The District participates in federal grant programs subject to program compliance audits by the grantors or their representatives. The amount, if any, of expenses which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

NOTE 16 TABOR EMERGENCY RESERVE

Colorado voters passed an amendment to the State constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the amendment.

Fiscal year spending and revenue limits are determined based on the prior year's spending adjusted for inflation and local growth. Revenue in excess of the limit must be refunded unless the voters approve retention of such revenue.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

On November 6, 2001 voters approved a ballot measure authorizing the District to collect, retain and expend all revenues including grants and other funds collected during 2000-01 budget year and each subsequent year from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, provided, however, that no property tax mill levy be increased at any time nor shall any new tax be imposed without the prior approval of the voters.

The amendment also requires that Emergency Reserves be established. These reserves must be at least three percent of fiscal year spending. This Emergency Reserve has been presented as restricted fund balance in the General Fund balance sheet and a restricted net position in the government-wide statement of net position. The entity is not allowed to use the Emergency Reserve to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

NOTE 17 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by Colorado School District's Self Insurance Pool. There have been no significant reductions in insurance coverage. Settled claims from these risks have not exceeded commercial insurance coverage for the current year or the three prior years.

Level funding Health Plan

Effective July 1, 2014, the District established a self-funded health benefit program for its employees. The benefit program administrator, CIGNA, is responsible for the approval, processing, and payment of claims. The District remits monthly payments to the Administrator for claims, administrative fees, and stop-loss costs. The benefit program reports on a fiscal year ending June 30, 2016. The program is accounted for in the General Fund of the District. The District has purchased stop-loss coverage for amounts in excess of \$40,000 per individual and aggregate coverage subject to a 120% corridor and cumulative attachment limits calculated each month.

The costs associated with the health plan are reported as health insurance expenses for the employee paid premiums and a payroll deduction for the employees. The District does not report a liability based on the requirements of Governmental Accounting Standards Board Statement No. 10, as the plan is a level-funding health plan in which monthly payments to the Third Party Administrator are fixed.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2016

NOTE 18 AGENCY FUND BUDGET AND ACTUAL

The District is required by the Colorado School District Budget Law to budget for the District's Agency Fund. In accordance with GAAP, however, there is not a statement of revenues, expenses and changes in net position for agency funds to report the budget information, because agency funds do not recognize revenues, expenses or net position in accordance with GAAP. Therefore, the budget and actual amounts for agency funds received and disbursed for the year ended June 30, 2016, are presented below:

	Budget		Actual	Variance
	Original	Final		
Beginning Balance	\$ -	\$ -	\$ 27,764	\$ 27,764
Agency Fund Receipts	-	-	6,050	6,050
Agency Fund Disbursements	-	-	(5,000)	(5,000)
Ending Balance	\$ -	\$ -	\$ 28,814	\$ 28,814

NOTE 19 COMMITMENTS AND CONTINGENCIES

Litigation

Various claims and lawsuits are pending against the District. After consideration of applicable insurance policy coverage and relative merits of each claims or lawsuit, it is the opinion of District counsel that the ultimate liability resulting from these actions, if any, will not require additional accrued reserves and will not have a material adverse financial effect on the District.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
REQUIRED SUPPLEMENTARY INFORMATION

A budgetary comparison schedule is required for the General Fund and, if applicable, each of the District's major special revenue funds. In addition, pension plan contributions and the District's proportionate share of the net pension liability is required to supplement the basic financial statements.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 778,278	\$ 778,278	\$ 883,457	\$ 105,179
State Sources	7,290,981	7,290,981	7,293,035	2,054
Federal Sources	269,950	269,950	213,811	(56,139)
TOTAL REVENUES	8,339,209	8,339,209	8,390,303	51,094
EXPENDITURES				
Instructional Program	5,035,609	5,063,151	5,020,049	43,102
Student Supporting Services	222,503	222,503	231,824	(9,321)
Instructional Staff Supporting Services	325,783	325,783	158,079	167,704
General Administration Supporting Services	539,872	538,372	586,050	(47,678)
School Administration Supporting Services	604,714	604,714	589,102	15,612
Business Supporting Services	46,250	48,750	58,897	(10,147)
Operations and Maintenance of Plant Services	617,243	619,243	614,516	4,727
Student Transportation Services	405,382	376,009	380,120	(4,111)
Central Supporting Services	203,376	213,326	277,023	(63,697)
Operating Reserves	-	3,750,374	-	3,750,374
TOTAL EXPENDITURES	8,000,732	11,762,225	7,915,660	3,846,565
Excess (deficiency) of revenues over expenditures	338,477	(3,423,016)	474,643	3,897,659
OTHER FINANCING SOURCES (USES)				
Transfers to Other Funds	(327,358)	(327,358)	(368,216)	(40,858)
TOTAL OTHER FINANCING SOURCES (USES)	(327,358)	(327,358)	(368,216)	(40,858)
Net Change in Fund Balance	11,119	(3,750,374)	106,427	3,856,801
Fund Balance, Beginning of Year, as Previously Stated	-	-	4,325,265	4,325,265
Change in Accounting Principle	-	-	43,281	43,281
Fund Balance, Beginning of Year, Restated	3,750,374	3,750,374	4,368,546	618,172
Fund Balance, End of Year	\$ 3,761,493	\$ -	\$ 4,474,973	\$ 4,474,973

Notes to Required Supplementary Information

The basis of budgeting is the same as GAAP.

This schedule is presented on the GAAP basis.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
SCHOOL DIVISION TRUST FUND PERA PENSION PLAN
For the Years Ended June 30,

	2016	2015	2014
District's proportion of the net pension liability	0.1139017026%	0.1204665369%	0.1264666773%
District's proportionate share of the net pension liability (asset)	\$ 17,420,461	\$ 16,327,262	\$ 16,130,791
District's covered-employee payroll	\$ 4,949,235	\$ 5,018,478	\$ 5,226,028
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	352%	325%	309%
Plan fiduciary net position as a percentage of the total pension liability	59.2%	62.8%	64.1%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF DISTRICT CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND PERA PENSION PLAN
For the Years Ended June 30,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 877,676	\$ 847,190	\$ 834,688
Contributions in relation to the contractually required contribution	<u>(877,676)</u>	<u>(847,190)</u>	<u>(834,688)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	4,949,235	5,018,478	5,226,028
Contributions as a percentage of covered-employee payroll	17.73%	16.88%	15.97%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the District presents information for those years for which information is available.

Notes to Required Supplementary Information:

See Note 11 in the accompanying Notes to the Basic Financial Statements for changes to assumptions or other inputs used

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SUPPLEMENTARY INFORMATION

The combining and individual fund financial schedules represent the second level of financial reporting for the District. These schedules present more detailed information for the individual funds in a format that segregates information by fund type.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special revenue funds are used to account for and report the proceeds of special revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Governmental Designated Purpose Grants Fund – Used to account for financial transactions for grants received for designated programs funded by federal, state, or local governments.

Pupil Activity Fund – Used to record financial transactions related to school-sponsored pupil intrascholastic and interscholastic athletic and other related activities. These activities are supported in whole or in part by revenues from pupils, gate receipts, and other fundraising activities.

Food Service Fund - Used to account for the District's food service program. Revenues are derived from District contributions and student and adult charges.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND</u>	<u>PUPIL ACTIVITY FUND</u>	<u>FOOD SERVICE FUND</u>	<u>TOTAL NONMAJOR FUNDS</u>
ASSETS				
Cash and Cash Equivalents	\$ 44,028	\$ 193,116	\$ 36,772	\$ 273,916
Accounts Receivable	-	-	3,255	3,255
Due From Other Governments	39,026	-	-	39,026
Due From Other Funds	5,988	-	-	5,988
Inventory	-	-	4,181	4,181
TOTAL ASSETS	<u>\$ 89,042</u>	<u>\$ 193,116</u>	<u>\$ 44,208</u>	<u>\$ 326,366</u>
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ (381)	\$ -	\$ -	\$ (381)
Due to Other Funds	-	-	81,657	81,657
Accrued Salaries and Benefits	44,621	-	34,703	79,324
Unearned Grant Revenue	42,727	-	-	42,727
TOTAL LIABILITIES	<u>86,967</u>	<u>-</u>	<u>116,360</u>	<u>203,327</u>
FUND BALANCE				
Nonspendable				
Inventory	-	-	4,181	4,181
Committed				
GDPG	2,075	-	-	2,075
Pupil Activities	-	193,116	-	193,116
Unassigned	-	-	(76,333)	(76,333)
TOTAL FUND BALANCE	<u>2,075</u>	<u>193,116</u>	<u>(72,152)</u>	<u>123,039</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 89,042</u>	<u>\$ 193,116</u>	<u>\$ 44,208</u>	<u>\$ 326,366</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
For the Year Ended June 30, 2016

	SPECIAL REVENUE FUNDS			
	GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND	PUPIL ACTIVITY FUND	FOOD SERVICE FUND	TOTAL NONMAJOR FUNDS
REVENUES				
Local Sources	\$ -	\$ 249,367	\$ 119,228	\$ 368,595
State Sources	22,656	-	8,681	31,337
Federal Sources	358,285	-	314,261	672,546
TOTAL REVENUES	380,941	249,367	442,170	1,072,478
EXPENDITURES				
Instructional Program	379,244	-	-	379,244
Student Support Services	-	249,087	-	249,087
Food Services	-	-	462,916	462,916
TOTAL EXPENDITURES	379,244	249,087	462,916	1,091,247
Excess (deficiency) of revenues over expenditures	1,697	280	(20,746)	(18,769)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	54,713	50,000	104,713
TOTAL OTHER FINANCING SOURCES (USES)	-	54,713	50,000	104,713
Net Change in Fund Balance	1,697	54,993	29,254	85,944
Fund Balance, Beginning of Year, as Previously State	378	138,123	-	138,501
Change in Accounting Principle	-	-	(101,406)	(101,406)
Fund Balance, Beginning of Year, Restated	378	138,123	(101,406)	37,095
Fund Balance, End of year	\$ 2,075	\$ 193,116	\$ (72,152)	\$ 123,039

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GOVERNMENTAL DESIGNATED PURPOSE GRANTS FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
State Sources	108,222	28,641	22,656	(5,985)
Federal Sources	385,070	372,115	358,285	(13,830)
TOTAL REVENUES	<u>493,292</u>	<u>400,756</u>	<u>380,941</u>	<u>(19,815)</u>
EXPENDITURES				
Instructional Program	493,292	400,756	379,244	21,512
TOTAL EXPENDITURES	<u>493,292</u>	<u>400,756</u>	<u>379,244</u>	<u>21,512</u>
Net Change in Fund Balance	-	-	1,697	1,697
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>378</u>	<u>378</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,075</u>	<u>\$ 2,075</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
PUPIL ACTIVITY FUND
For the Year Ended June 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources				
Class and Club Activities	\$ -	\$ -	\$ 249,367	\$ 249,367
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>249,367</u>	<u>249,367</u>
EXPENDITURES				
Student Support Services	-	-	249,087	(249,087)
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>249,087</u>	<u>(249,087)</u>
Excess (deficiency) of revenues over expenditures	-	-	280	280
OTHER FINANCING SOURCES (USES)				
Transfers to/from Other Funds	20,000	20,000	54,713	34,713
TOTAL OTHER FINANCING SOURCES (USES)	<u>20,000</u>	<u>20,000</u>	<u>54,713</u>	<u>34,713</u>
Net Change in Fund Balance	20,000	20,000	54,993	34,993
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>	<u>138,123</u>	<u>138,123</u>
Fund Balance, End of Year	<u>\$ 20,000</u>	<u>\$ 20,000</u>	<u>\$ 193,116</u>	<u>\$ 173,116</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
FOOD SERVICE FUND
For the Year Ended June 30, 2016

	BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH
	ORIGINAL	FINAL		FINAL BUDGET
				POSITIVE
				(NEGATIVE)
REVENUES				
Local Sources	\$ 98,844	\$ 98,844	\$ 119,228	\$ 20,384
State Sources	10,800	10,800	8,681	(2,119)
Federal Sources	273,300	273,300	314,261	40,961
TOTAL REVENUES	<u>382,944</u>	<u>382,944</u>	<u>442,170</u>	<u>59,226</u>
EXPENDITURES				
Supporting Services				
Food Services				
Salaries	188,181	188,181	190,486	(2,305)
Fringe Benefits	104,263	104,263	91,674	12,589
Purchased Professional Services	-	-	678	(678)
Other Purchased Services	-	-	179	(179)
Supplies	140,500	140,500	179,899	(39,399)
TOTAL EXPENDITURES	<u>432,944</u>	<u>432,944</u>	<u>462,916</u>	<u>(29,972)</u>
Excess (deficiency) of revenues over expenditures	<u>(50,000)</u>	<u>(50,000)</u>	<u>(20,746)</u>	<u>29,254</u>
OTHER FINANCING SOURCES (USES)				
Transfers to/from Other Funds	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
Net Change in Fund Balance	-	-	29,254	29,254
Fund Balance, Beginning of Year, as Previously Stated	-	-	-	-
Change in Accounting Principle	<u>-</u>	<u>-</u>	<u>(101,406)</u>	<u>(101,406)</u>
Fund Balance, Beginning of Year, Restated	<u>-</u>	<u>-</u>	<u>(101,406)</u>	<u>(101,406)</u>
Fund Balance, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (72,152)</u>	<u>\$ (72,152)</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL RESERVE CAPITAL PROJECTS FUND
For the Year Ended June 30, 2016

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 3,960	\$ 3,960	\$ 2,674	\$ (1,286)
State Sources	373,200	373,200	113,126	(260,074)
TOTAL REVENUES	<u>377,160</u>	<u>377,160</u>	<u>115,800</u>	<u>(261,360)</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	678,547	777,339	205,683	571,656
Operation and Maintenance of Plant and Equipment	-	-	23,505	(23,505)
Facilities Acquisition and Construction	-	-	34,234	(34,234)
TOTAL EXPENDITURES	<u>678,547</u>	<u>777,339</u>	<u>263,422</u>	<u>513,917</u>
Excess (deficiency) of revenues over expenditures	<u>(301,387)</u>	<u>(400,179)</u>	<u>(147,622)</u>	<u>252,557</u>
OTHER FINANCING SOURCES (USES)				
Transfers to/from Other Funds	-	257,358	263,503	6,145
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>257,358</u>	<u>263,503</u>	<u>6,145</u>
Net Change in Fund Balance	(301,387)	(142,821)	115,881	258,702
Fund Balance, Beginning of Year	<u>-</u>	<u>98,792</u>	<u>-</u>	<u>(98,792)</u>
Fund Balance, End of Year	<u>\$ (301,387)</u>	<u>\$ (44,029)</u>	<u>\$ 115,881</u>	<u>\$ 159,910</u>

NORTH CONEJOS SCHOOL DISTRICT RE-1J

SINGLE AUDIT SECTION

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

84-6001052
 \$884,310

42

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	DEFAULT PROGRAM NAME (Read Only)	UNIFORM CLUSTER NAME (Read Only)
10	553	SCHOOL BREAKFAST PROGRAM NATIONAL	\$ 67,543	CHILD NUTRITION CLUSTER	\$ 67,543	\$ 314,261	COLORADO DEPARTMENT OF EDUCATION	4553	SCHOOL BREAKFAST PROGRAM	CHILD NUTRITION CLUSTER
10	555	SCHOOL LUNCH PROGRAM NATIONAL	216,291	CHILD NUTRITION CLUSTER	246,718	314,261	COLORADO DEPARTMENT OF EDUCATION	4555	NATIONAL SCHOOL LUNCH PROGRAM	CHILD NUTRITION CLUSTER
10	555	SCHOOL LUNCH PROGRAM NATIONAL	30,427	CHILD NUTRITION CLUSTER	246,718	314,261	COLORADO DEPARTMENT OF HUMAN SERVICES	4555	NATIONAL SCHOOL LUNCH PROGRAM	CHILD NUTRITION CLUSTER
10	665	SCHOOLS AND ROADS - GRANTS TO STATES	211,762	FOREST SERVICE SCHOOLS AND ROADS CLUSTER	211,762	211,762	COLORADO DEPARTMENT OF TREASURY AND CONEJOS COUNTY TREASURER	7665	SCHOOLS AND ROADS - GRANTS TO STATES	FOREST SERVICE SCHOOLS AND ROADS CLUSTER

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

84-6001052
\$884,310

43

Federal Agency Prefix	CFDA Three Digit Extension	Federal Program Name	Amount Expended	Cluster Name	Federal Program Total	Cluster Total	If no (Direct Award), Name of Pass-through Entity	If no (Direct Award), Identifying Number Assigned by the Pass-through Entity, if assigned	DEFAULT PROGRAM NAME (Read Only)	UNIFORM CLUSTER NAME (Read Only)
84	010	TITLE I GRANTS TO LOCAL EDUCATION AGENCIES	300,495	N/A	300,495	-	COLORADO DEPARTMENT OF EDUCATION	4010	TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	N/A
84	358	RURAL EDUCATION IMPROVING TEACHER	988	N/A	988	-	COLORADO DEPARTMENT OF EDUCATION	7358	RURAL EDUCATION IMPROVING TEACHER	N/A
84	367	QUALITY RACE TO THE TOP	56,177	N/A	56,177	-	COLORADO DEPARTMENT OF EDUCATION	4367	QUALITY STATE RACE TO THE TOP	N/A
84	412	EARLY LEARNING	<u>627</u>	N/A	627	-	COLORADO DEPARTMENT OF EDUCATION	5412	EARLY LEARNING	N/A
TOTAL EXPENDITURES			<u>\$ 884,310</u>							

NORTH CONEJOS SCHOOL DISTRICT RE-1J
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2016

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of North Conejos School District RE-1J under programs of the federal government for the year ended June 30, 2016. 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). Because the Schedule presents only a selected portion of the operations of North Conejos School District RE-1J, it is not intended to and does not present the financial position or changes in net position of North Conejos School District RE-1J.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. North Conejos School District RE-1J did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance for the year ended June 30, 2016.

NOTE 3: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of commodities received and disbursed.

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



Wall,
Smith,
Bateman Inc.

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Conejos 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 6, 2016.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. Finding 2016-001 and 2016-002.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as Finding 2016-002.

District's Response to Findings

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

Purpose of this Report

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



Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 6, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY
THE UNIFORM GUIDANCE**



Wall,
Smith,
Bateman Inc.

To the Board of Education
North Conejos School District RE-1J
La Jara, Colorado

Report on Compliance for Each Major Federal Program

We have audited North Conejos School District RE-1J's (the District) compliance 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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

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

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

Basis for Qualified Opinion on the Title I – Grants to Local Educational Agencies Program and Improving Teacher Quality Program

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 84.010, Title I – Grants to Local Educational Agencies Program and CFDA 84.367, Improving Teacher Quality Program for Reporting as described in Finding 2016-003. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Certified Public Accountants

700 Main Street, Suite 200 PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Qualified Opinion on the Title I – Grants to Local Educational Agencies Program and Improving Teacher Quality Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, North Conejos School District RE-1J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Title I – Grants to Local Educational Agencies Program and Improving Teacher Quality Program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-003 to be a material weakness.

The District's response to the internal control over compliance and noncompliance finding identified in our audit is described in the accompanying corrective action plan. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Board of Education
North Conejos School District RE-1J
Page 3

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

A handwritten signature in blue ink that reads "Wall, Smith, Bateman Inc." in a cursive style.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

December 6, 2016

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016**

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditors’ report issued: Unmodified

Internal control over financial reporting:

§ Material weakness(es) identified? ___X___yes ___no

§ Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? ___yes ___X___none reported

§ Noncompliance material to financial statements noted? ___X___yes ___no

Federal Awards

Internal control over major programs:

§ Material weakness(es) identified? ___X___yes ___no

§ Significant deficiency(ies) identified that are **not** considered to be material weakness(es)? ___yes ___X___none reported

Type of auditors’ report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? ___X___yes ___no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.010	Title I - Grants to Local Educational Agencies
84.367	Improving Teacher Quality

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

Auditee qualified as a low-risk auditee? ___yes ___X___no

Section II – Financial Statement Findings

Finding 2016-001: Internal Control Over Financing Reporting

Type of finding: Internal Control (material weakness)

Condition/Cause: The District does not have a complete system of internal control to prevent and detect financial misstatements.

Criteria: A system of internal control includes the design, documentation, and monitoring of control activities over the application of accounting principles, compliance with statutory provisions, antifraud programs, non-routine transactions, financial statements preparation, and safeguarding of assets.

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

Effect: Audit adjustments were proposed to properly state the General Fund, Governmental Designated Purpose Grants Fund and Capital Reserve Capital Projects Fund in the District financial statements as of June 30, 2016, in accordance with generally accepted accounting principles.

Recommendation: The District should reconcile year end account balances and record necessary adjustments when performing financial close and reporting at year end.

Management's Response: See corrective action plan

Finding 2016-002: Internal Control Over Budgeting and Compliance

Type of finding: Internal Control (material weakness) and Compliance (material noncompliance)

Condition/Cause: The District does not have a complete system of internal control to prepare and adopt the annual budget, monitor budgeted to actual expenditures, and adopt supplemental budget appropriations in accordance with the School District Budget Law.

Criteria: Title 22, Article 44, Part 1 of the Colorado Revised Statutes (C.R.S.), known as the School District Budget Law, sets forth the budget requirements for the board of education of each school district in the State.

Effect: The District may not be in compliance with the following provisions of the School District Budget Law:

1. A budget was not adopted for the Agency Fund. C.R.S. 22-44-105
2. A budget appropriation resolution was not adopted for the fiscal year ending June 30, 2016. C.R.S. 22-44-107
3. The budget does not include a uniform summary sheet for each fund administered by the District. C.R.S. 22-44-105(1)(d.5)
4. The Capital Reserve Capital Projects Fund budgeted for a deficit fund balance as of June 30, 2016 of \$44,029. C.R.S. 22-44-105(1.5a)
5. The Food Service Fund has a deficit fund balance of \$72,152 as of June 30, 2016. C.R.S. 22-44-102(7.3)
6. The interfund loans of \$87,645 were not repaid within three months after the beginning of the following budget year. C.R.S. 22-44-113(1)
7. The Food Service Fund expenditures exceeded the adopted budget by \$29,972 and the Special Revenue Activity Fund expenditures exceed the adopted budget by \$249,087 for the year ended June 30, 2016. C.R.S. 22-44-115(1)

Recommendation: The District should strengthen its internal controls to ensure compliance with the School District Budget Law, through appropriate training.

Management's Response: See corrective action plan

NORTH CONEJOS SCHOOL DISTRICT RE-1J
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Fiscal Year Ended June 30, 2016

Section III – Federal Award Findings and Questioned Costs

Finding 2016-003: **Title I - Grants to Local Educational Agencies, CFDA No. 84.010**
 Improving Teacher Quality, CFDA No. 84.367
 United States Department of Education

Passed through Colorado Department of Education

Compliance Requirements: Reporting

Grant No.: 4010 and 4367

Type of finding: Internal Control over Compliance (material weakness) and Compliance (material noncompliance)

Condition: The Title I and Improving Teacher Quality grant accounting was not aligned with the budgets approved by the Colorado Department of Education (CDE). In addition, the Title I and Improving Teacher Quality grants annual financial reports submitted to the Colorado Department of Education did not agree to the general ledger accounting classification of expenditures .

Cause: District grant expenditure classifications were not adequately monitored for differences with the approved budgets and properly reconciled to the general ledger during Fiscal Year 2016.

Criteria: A system of internal controls includes the design, documentation, and monitoring of control activities to provide reasonable assurance that budgets submitted to CDE are reasonable and reports submitted to the federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Questioned Costs: \$0

Effect: The District's general ledger grant expenditures are not recorded in accordance with the grant approved budgets. In addition, annual financial reports do not properly reconcile and report grant expenditures as recorded in the District's general ledger, as these were prepared to align with the budget.

Recommendation : The District should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities whereby federal grant activity is reconciled and monitored by both program management and the Finance Director to ensure accuracy and compliance.

Grantee's Response: See corrective action plan.

**NORTH CONEJOS SCHOOL DISTRICT RE-1J
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2016**

Section II – Financial Statement Findings

**Finding 2015-001: Internal Control Over Financial Reporting
(Repeat of Finding 2013-001)**

Type of finding: Internal Control (material weakness)

Condition/Cause: Effective July 1, 2014 the District established a self-funded health benefit program for its employees. However, the District did not set up records to account for this new activity.

Status: Implemented

Section III – Federal Award Findings and Questioned Costs

**Finding 2015-002: No Child Left Behind, Title I, Part A, CFDA No. 84.010
U. S. Department of Education**

Passed through Colorado Department of Education

Compliance Requirement: Reporting

Grant No.: Not applicable

Type of finding: Internal Control (material weakness) and compliance (material weakness)

Condition/Cause: The District is not utilizing financial reports from the SDS accounting system to prepare funding reimbursement requests, but is rather using a manual system and a reconciliation process between the two systems is not adequately maintained.

Status: Implemented

North Conejos School District RE 1 - J

P.O. Box 72
La Jara, CO 81140
www.northconejos.com

OFFICE OF SUPERINTENDENT

Phone (719) 274-5174
Fax (719) 274-5621



December 13th, 2016

CORRECTIVE ACTION PLAN FOR NCSD DECEMBER 13, 2016

Oversight Agency – US Department of Education

North Conejos School District RE-1J respectfully submits the following corrective action plan for the year ended June 30, 2016.

Independent Accountants: Wall, Smith and Bateman, Inc.

Certified Public Accountants

700 Main Street, Suite 200, P.O. Box 809

Alamosa, CO 81101

Audit Period: Year Ended June 30, 2016

The findings from the June 30, 2016 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the numbers assigned in the schedule. Section I of the schedule, Summary of Auditors' Results, does not include findings and is not addressed.

Section II -Financial Statement Findings

Finding 2016-001: Internal Control over Financial Reporting

Type of Finding: Internal Control (material weakness)

Recommendation: The District should reconcile year end account balances and record necessary adjustments when performing financial close and reporting at year end.

Action Taken: Reconcile all accounts at the end of the fiscal year and obtain assistance when needed from auditors.

Finding 2016-002: Internal Control Over Budgeting and Compliance

Type of Finding: Internal Control (material weakness) and (Compliance (noncompliance))

Recommendation: The District's should strengthen its internal controls to ensure compliance with the School District Budget Law, through appropriate training. Action Taken: The North Conejos School District will utilize the correct format for District Budget Adoption, specifically in the form of a resolution rather than current practice. In addition, once formal resolution is adopted, compliance with the posting of form 'CDE 18' will be posted on website, ensuring the correct format is available for public view in light of financial transparency. Note: action completed.

North Conejos School District RE 1 - J

P.O. Box 72
La Jara, CO 81140
www.northconejos.com

OFFICE OF
SUPERINTENDENT

Phone (719) 274-5174
Fax (719) 274-5621



Section III – Federal Award Findings and Questioned Costs

Finding 2016-03: Title I – Grants to Local Educational Agencies, CFDA No. 84.010
Improving Teacher Quality, CFDA No. 84.367
United States Department of Education

Passed through Colorado Department of Education

Compliance Requirements: Reporting

Grant No.: 4010 and 4367

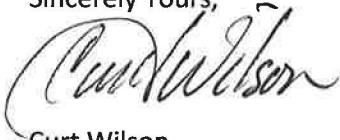
Type of finding: Internal Control over Compliance (material weakness) and Compliance (material noncompliance)

Recommendation: The District should implement a system of internal control over compliance that includes the design, documentation, and monitoring of control activities whereby federal grant activity is reconciled and monitored by both program management and the Finance Director to ensure accuracy and compliance.

Action Taken: Note: already completed. Once approved protocol in prior audits and now by the directive of current auditors, NCSD will utilize correct coding to mirror Federal budget categories, aligning the two budgets for clarity.

If the U.S. Department of Education has questions regarding this plan, please call the responsible party listed below.

Sincerely Yours,



Curt Wilson
Superintendent of Schools
North Conejos School District RE-1J

NORTH CONEJOS SCHOOL DISTRICT RE-1J

CDE COMPLIANCE SECTION



Colorado Department of Education
Auditors Integrity Report
 District: 0550 - NORTH CONEJOS RE-1J
 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	4,368,547	8,022,088	7,915,663	4,474,972
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	4,368,547	8,022,088	7,915,663	4,474,972
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	-101,406	492,169	462,916	-72,152
22 Govt Designated-Purpose Grants Fund	378	380,940	379,242	2,076
23 Pupil Activity Special Revenue Fund	138,123	304,081	249,088	193,116
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	868,715	379,303	263,421	984,597
Totals	5,274,355	9,578,582	9,270,329	5,582,608
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	27,764	6,049	5,000	28,814
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	27,764	6,049	5,000	28,814

FINAL

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