

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SALIDA, COLORADO**

**FINANCIAL STATEMENTS**

**June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 11:51 am, Jan 03, 2017*

**SALIDA SCHOOL DISTRICT NUMBER R-32-J  
SALIDA, COLORADO**

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2016

**BOARD OF EDUCATION**

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Elizabeth Gay Dewberry-Hahn - Vice-President

Cheri Post - Treasurer

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Darryl Webb  
Superintendent of Schools

Yvonne Little  
Business Manager

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Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

## INDEPENDENT AUDITORS' REPORT

### **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 the Salida School District Number R-32-J as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, 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 Salida School District Number R-32-J'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 Salida School District Number R-32-J'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 Salida School District Number R-32-J as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters (Required Supplementary Information)***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 Matters (Other Information)***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the 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 information is 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 14, 2016, on our consideration of the Salida School District Number R-32-J'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 Salida School District Number R-32-J's internal control over financial reporting and compliance.



December 14, 2016

# **Salida School District R-32-J**

Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2016

As management of Salida School District R-32-J (the "District") we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of District for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

## **Financial Highlights**

For the year ended June 30, 2016 the General Fund, fund balance increased by \$670,852.

The General Fund operations of the District are funded primarily by tax revenue received under the State School Finance Act (the Act) in the amount of \$10,405,578 and total revenue for the year was \$11,362,918.

## **Overview of Financial Statements**

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

### ***Government-Wide Financial Statements***

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

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

The governmental activities of the District include instruction and supporting services of the District.

The statement of activities presents information showing how the District's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

## *Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

## *Notes to Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## **Government-wide Financial Analysis**

For the year ended June 30, 2016 the District's net position is \$7,654,045. The negative unrestricted net position of (\$17,881,128) is due primarily to the adoption of GASB Statement No. 68, resulting from a net pension liability of \$23,778,241, representing the District's proportionate share of PERA's net pension liability. The District's net investment in capital assets is \$22,789,512. In addition, \$322,328 is restricted for Colorado Preschool and Salida Head Start; \$1,809,133 is restricted for debt service; \$261,200 is restricted for Capital Renewal; and \$353,000 is restricted for emergencies under TABOR.

### **Statement of Net Position**

	GOVERNMENTAL ACTIVITIES	
	2014-2015	2015-2016
ASSETS		
Current Assets	\$ 7,657,473	\$ 8,100,340
Capital Assets, Net of Accumulated Depreciation	<u>49,139,429</u>	<u>48,212,580</u>
TOTAL ASSETS	<u>56,796,902</u>	<u>56,312,920</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>1,295,127</u>	<u>3,141,396</u>
LIABILITIES		
Current Liabilities	1,229,684	1,130,959
Noncurrent Liabilities	<u>48,784,566</u>	<u>50,039,037</u>
TOTAL LIABILITIES	<u>50,014,250</u>	<u>51,169,996</u>
DEFERRED INFLOWS OF RESOURCES	<u>373,921</u>	<u>630,275</u>
NET POSITION		
Net Investment in Capital Assets	22,673,996	22,789,512
Restricted	2,561,062	2,745,661
Unrestricted	<u>-17,531,200</u>	<u>-17,881,128</u>
TOTAL NET POSITION	<u>\$ 7,703,858</u>	<u>\$ 7,654,045</u>

Governmental activities decreased the District's net position by \$49,813, the BEST grant to install new windows in the Kesner Building and build a new transportation facility being the contributing factor to the decrease in revenues.

	GOVERNMENTAL ACTIVITIES	
	2014-2015	2015-2016
Program revenues:		
Charges for service	\$ 151,110	\$ 158,774
Operating grants & contributions	2,263,503	2,273,771
Capital Grants & contributions	1,586,589	276,332
General revenues:		
Property Taxes	6,718,692	7,017,799
Specific ownership taxes	754,729	788,829
State equalization	4,514,097	4,833,337
Other revenues	379,189	401,965
Earnings on Investments	<u>7,956</u>	<u>14,369</u>
TOTAL REVENUES	<u>16,375,865</u>	<u>15,765,176</u>
Expenses:		
Instruction	7,066,705	7,364,558
Supporting Services	6,946,981	7,028,065
Food Service	504,756	495,599
Interest and Fiscal Charges	<u>981,564</u>	<u>926,767</u>
TOTAL EXPENSES	<u>15,500,006</u>	<u>15,814,989</u>
CHANGE IN NET POSITION	875,859	(49,813)
NET POSITION, Beginning	<u>6,827,999</u>	<u>7,703,858</u>
NET POSITION, Ending	<u>\$ 7,703,858</u>	<u>\$ 7,654,045</u>

The most significant change from last year was the BEST money to complete the upgrade of the HVAC system in the Middle School.

### Financial Analysis of the District's Funds

**Governmental funds.** The focus of District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements.

As of the end of the current fiscal year the District's governmental funds reported a combined ending fund balance of \$6,713,293: General Fund \$3,844,298; Bond Redemption Fund \$1,779,654; and Other Governmental Funds \$1,089,341. This is an increase of \$525,806 from the previous fiscal year primarily from an increase in local and state revenues and a decrease in building expenditures.

## **General Fund Budgetary Highlights**

General Fund revenues budgeted were \$11,203,193 and actual revenues were \$11,362,918. The District budgeted for General Fund expenditures of \$10,525,849, for the year ended June 30, 2016. Actual expenditures were \$10,209,742. The differences between the original and final budgets were to adjust for the changes in total instructional costs net of reserves and an increase to local revenues. The District ended the year with an increase in the fund balance of \$670,852.

## **Capital Assets**

For the year ended June 30, 2016, the District's significant capital asset activity included completion of upgrades to the middle school HVAC and sprinkler system, replacement of new windows for the Kesner Building, and project management costs for construction of a new transportation building. Please see Note 3 in the financial statement for more information.

## **Long-Term Debt**

As of June 30, 2016, the District had total long-term debt of \$26,260,796, a decrease of \$1,371,091 from the previous year. Please see Note 4 in the financial statement for more information.

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the District is student enrollment. Funded pupil count for the 2015-2016 school year was 1,134.7. The funded pupil count for the 2016-2017 school year is 1,161.9. This factor was considered in preparing the District's budget for 2016-2017.

## **Requests for Information**

The financial report is designed to provide a general overview of the District's finances for all those with an interest in the District. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Salida School District R-32-J, 349 East 9<sup>th</sup> Street, Salida, CO 81201.

## **BASIC FINANCIAL STATEMENTS**

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF NET POSITION

June 30, 2016

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 7,068,263
Restricted Cash and Investments	85,426
Accounts Receivable	7,319
Taxes Receivable	754,979
Grants Receivable	179,603
Inventories	4,750
Capital Assets, Not Being Depreciated	557,150
Capital Assets, Net of Accumulated Depreciation	<u>47,655,430</u>
 TOTAL ASSETS	 <u>56,312,920</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Debt Refunding, Net of Accumulated Amortization	53,918
Pensions, Net of Accumulated Amortization	<u>3,087,478</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>3,141,396</u>
<b>LIABILITIES</b>	
Accounts Payable	48,523
Accrued Salaries and Benefits	968,394
Unearned Revenues	38,327
Accrued Interest Payable	75,715
Noncurrent Liabilities	
Due Within One Year	1,408,958
Due in More Than One Year	24,851,838
Net Pension Liability	<u>23,778,241</u>
 TOTAL LIABILITIES	 <u>51,169,996</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pensions, Net of Accumulated Amortization	<u>630,275</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	22,789,512
Restricted for Emergencies	353,000
Restricted for Preschool	115,764
Restricted for Capital Renewal	261,200
Restricted for Debt Service	1,809,133
Restricted for Head Start	206,564
Unrestricted	<u>(17,881,128)</u>
 TOTAL NET POSITION	 <u>\$ 7,654,045</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
<b>PRIMARY GOVERNMENT</b>					
<b>Governmental Activities</b>					
Instruction	\$ 7,364,558	\$ 23,026	\$ 1,130,822	\$ -	\$ (6,210,710)
Supporting Services	7,028,065	-	914,725	276,332	(5,837,008)
Food Service	495,599	135,748	228,224	-	(131,627)
Interest and Fiscal Charges	926,767	-	-	-	(926,767)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 15,814,989</b>	<b>\$ 158,774</b>	<b>\$ 2,273,771</b>	<b>\$ 276,332</b>	<b>(13,106,112)</b>
<b>GENERAL REVENUES</b>					
Property Taxes					7,017,799
Specific Ownership Taxes					788,829
State Equalization					4,833,337
Grants and Contributions not Restricted to Specific Programs					255,568
Investment Income					14,369
Other					146,397
<b>TOTAL GENERAL REVENUES</b>					<b>13,056,299</b>
<b>CHANGE IN NET POSITION</b>					<b>(49,813)</b>
<b>NET POSITION, Beginning</b>					<b>7,703,858</b>
<b>NET POSITION, Ending</b>					<b>\$ 7,654,045</b>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
<b>ASSETS</b>				
Cash and Investments	\$ 4,490,867	\$ 1,651,695	\$ 925,701	\$ 7,068,263
Restricted Cash and Investments	-	-	85,426	85,426
Accounts Receivable	7,319	-	-	7,319
Taxes Receivable	521,826	233,153	-	754,979
Grants Receivable	56,585	-	123,018	179,603
Inventories	-	-	4,750	4,750
TOTAL ASSETS	<u>\$ 5,076,597</u>	<u>\$ 1,884,848</u>	<u>\$ 1,138,895</u>	<u>\$ 8,100,340</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 45,541	\$ -	\$ 2,982	\$ 48,523
Accrued Salaries and Benefits	923,112	-	45,282	968,394
Unearned Revenues	37,037	-	1,290	38,327
TOTAL LIABILITIES	<u>1,005,690</u>	<u>-</u>	<u>49,554</u>	<u>1,055,244</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property Taxes	<u>226,609</u>	<u>105,194</u>	<u>-</u>	<u>331,803</u>
<b>FUND BALANCES</b>				
Nonspendable Inventories	-	-	4,750	4,750
Restricted for Emergencies	353,000	-	-	353,000
Restricted for Preschool	115,764	-	-	115,764
Restricted for Capital Renewal	-	-	261,200	261,200
Restricted for Debt Service	-	1,779,654	-	1,779,654
Restricted for Capital Projects	-	-	85,426	85,426
Restricted for Head Start	-	-	206,564	206,564
Assigned to Grant Programs	-	-	46,079	46,079
Assigned to Food Services	-	-	32,296	32,296
Assigned to Capital Projects	-	-	453,026	453,026
Unrestricted, Unassigned	<u>3,375,534</u>	<u>-</u>	<u>-</u>	<u>3,375,534</u>
TOTAL FUND BALANCES	<u>3,844,298</u>	<u>1,779,654</u>	<u>1,089,341</u>	<u>6,713,293</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,076,597</u>	<u>\$ 1,884,848</u>	<u>\$ 1,138,895</u>	<u>\$ 8,100,340</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

RECONCILIATION OF THE BALANCE SHEET  
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balances of Governmental Funds	\$ 6,713,293
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	48,212,580
Certain long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources.	331,803
Long-term liabilities and related items, including bonds (\$25,228,074), bond premiums (\$334,338), accrued compensated absences (\$320,376), severance (\$378,008), loss on debt refunding \$53,918, accrued interest payable (\$75,715), net pension liability (\$23,778,241), pension-related deferred outflows of resources \$3,087,478, and pension-related deferred inflows of resources (\$630,275), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(47,603,631)</u>
Total Net Position of Governmental Activities	\$ <u><u>7,654,045</u></u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2016

	<u>GENERAL</u>	<u>BOND REDEMPTION</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
REVENUES				
Local Sources	\$ 6,070,764	\$ 2,230,074	\$ 232,721	\$ 8,533,559
County Sources	216,303	-	-	216,303
State Sources	4,952,784	-	298,860	5,251,644
Federal Sources	123,067	-	1,632,960	1,756,027
	<u>11,362,918</u>	<u>2,230,074</u>	<u>2,164,541</u>	<u>15,757,533</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Instruction	6,116,707	-	659,615	6,776,322
Supporting Services	4,093,035	-	991,873	5,084,908
Food Service	-	-	467,912	467,912
Capital Outlay	-	-	718,727	718,727
Debt Service				
Principal	-	1,250,725	-	1,250,725
Interest and Fiscal Charges	-	933,133	-	933,133
	<u>10,209,742</u>	<u>2,183,858</u>	<u>2,838,127</u>	<u>15,231,727</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,153,176</u>	<u>46,216</u>	<u>(673,586)</u>	<u>525,806</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	482,324	482,324
Transfers Out	(482,324)	-	-	(482,324)
	<u>(482,324)</u>	<u>-</u>	<u>482,324</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	670,852	46,216	(191,262)	525,806
FUND BALANCES, Beginning	<u>3,173,446</u>	<u>1,733,438</u>	<u>1,280,603</u>	<u>6,187,487</u>
FUND BALANCES, Ending	<u>\$ 3,844,298</u>	<u>\$ 1,779,654</u>	<u>\$ 1,089,341</u>	<u>\$ 6,713,293</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balances of Governmental Funds	\$	525,806
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$1,206,222) and loss on disposals (\$7,560) exceeded capital outlay \$286,933 in the current year.</p>		
		(926,849)
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current financial resources.</p>		
		7,643
<p>Repayments of bond principal are expenditures in governmental funds but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
		1,250,725
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: amortization of debt premiums \$25,184 and amortization of loss on debt refunding (\$26,961).</p>		
		(1,777)
<p>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 governmental funds. This includes the change in accrued compensated absences \$15,230, severance \$79,952, accrued interest payable \$8,143, net pension liability (\$2,625,562), pension-related deferred outflows of resources \$1,873,230, and pension-related deferred inflows of resources (\$256,354) in the current year.</p>		
		<u>(905,361)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(49,813)</u></u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2016

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>318,635</u>
LIABILITIES	
Held for Student Scholarships	\$ 58,300
Due to Student Groups	<u>260,335</u>
TOTAL LIABILITIES	\$ <u>318,635</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Salida School District Number R-32-J (the “District”) conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the District’s more significant policies.

**Reporting Entity**

The financial reporting entity consists of the District, organizations for which the District is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the District. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. Legally separate organizations for which the District is financially accountable are considered part of the reporting entity. Financial accountability exists if the District appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if there is a potential for the organization to provide benefits to, or impose financial burdens on, the District.

Based upon the application of this criteria, no additional organizations are included in the District’s reporting entity.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these financial statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) 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 among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for governmental funds and the fiduciary fund, even though the latter is excluded from the District’s government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

In the fund financial statements, the District reports the following major governmental funds:

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)**

The *Bond Redemption Fund* accounts for property taxes restricted for payment of the District's general obligation debt.

Additionally, the District reports the following fund type:

The *Agency Fund* is used to account for resources received to support each school's student activities and scholarship fundraising activities. The District holds all resources in a purely custodial capacity.

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 the 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 and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been 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 to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Taxes, intergovernmental revenues, grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

The fiduciary fund financial statements are reported using the accrual basis of accounting.

When both restricted and unrestricted resources are available for a specific use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**Assets, Liabilities and Net Position/Fund Balances**

*Cash and Investments* - Investments are reported at fair value.

*Receivables* - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

*Inventories* - Inventories are valued at the lower of cost or fair value, using the first-in, first-out method. Donated commodities, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position/Fund Balances (Continued)**

*Capital Assets* - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and Improvements	7 - 50 years
Land Improvements	15 - 25 years
Equipment	5 - 20 years

*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of approximately nine to ten months. Salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

*Unearned Revenues* - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

*Compensated Absences* - District employees are entitled to certain compensated absences based on their length of employment. An employee that leaves the District with a minimum of six years of service will be reimbursed for any unused sick leave at rates based on length of employment. An employee with a minimum of one year of service will be reimbursed for any unused vacation time at their current pay rate.

These compensated absences are recognized as expenditures when paid in the governmental funds. A long-term liability has been reported in the government-wide financial statements for the accrued compensated absences.

*Severance* - The District has agreed to pay certain severance benefits to employees. The benefits are paid over several years and are recorded as a liability in the government-wide financial statements. The amount of severance pay varies based on length of service. The severance benefit program is closed and benefit payments will cease in 2021.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and refunding losses are deferred and amortized over the life of the debt using the straight-line method.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Assets, Liabilities and Net Position/Fund Balances (Continued)**

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Debt issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Pensions* - The District participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

*Deferred Inflows of Resources* - Deferred inflows of resources in the governmental fund financial statements include property taxes earned but not available as current financial resources.

*Net Position/Fund Balances* - In the government-wide and fund financial statements, net position and fund balances are restricted when constraints placed on the use of resources are externally imposed. The Board of Education is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The District has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**Property Taxes**

Property taxes attach as an enforceable lien on property on January 1, are levied the following December, and are collected in the subsequent calendar year. Taxes are payable in full on April 30 or in two installments on February 28 and June 15. The County Treasurer's Office collects property taxes and remits to the District on a monthly basis.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments at June 30, 2016, consisted of the following:

Cash	\$ 125
Deposits	2,378,962
Investments	<u>5,093,237</u>
 Total	 <u><u>\$ 7,472,324</u></u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 7,068,263
Restricted Cash and Investments	85,426
Fiduciary Fund Cash and Investments	<u>318,635</u>
 Total	 <u><u>\$ 7,472,324</u></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the District had bank deposits of \$2,219,144 collateralized with securities held by the financial institutions' agents but not in the District's name.

**Investments**

The District is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments** (Continued)

*Fair Value Measurements* - The District reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2016, the District's investment in Colotrust was reported at the net asset value per share, measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). CSAFE was reported at the net asset value per share, which was measured using amortized cost.

*Interest Rate Risk* - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes allow investments with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the District may invest in one issuer of investment securities, except for corporate securities.

*Local Government Investment Pools* - At June 30, 2016, the District had \$246,685 and \$4,846,552 invested in the Colorado Local Government Liquid Asset Trust (Colotrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At June 30, 2016, debt proceeds of \$85,426 were restricted in the Building Fund for construction of the new elementary school.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 3: CAPITAL ASSETS**

Activity for capital assets during the year ended June 30, 2016, was as follows.

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land and Sites	\$ 557,150	\$ -	\$ -	\$ 557,150
Construction in Progress	374,945	-	374,945	-
Total Capital Assets, Not Being Depreciated	932,095	-	374,945	557,150
Capital Assets, Being Depreciated				
Buildings and Improvements	54,083,756	609,401	253,502	54,439,655
Land Improvements	362,453	-	-	362,453
Transportation Equipment	893,660	46,303	14,700	925,263
Other Equipment	783,776	6,174	13,416	776,534
Total Capital Assets, Being Depreciated	56,123,645	661,878	281,618	56,503,905
Less Accumulated Depreciation				
Buildings and Improvements	(6,980,754)	(1,126,349)	(253,502)	(7,853,601)
Land Improvements	(71,236)	(23,601)	-	(94,837)
Transportation Equipment	(332,197)	(40,423)	(7,140)	(365,480)
Other Equipment	(532,124)	(15,849)	(13,416)	(534,557)
Total Accumulated Depreciation	(7,916,311)	(1,206,222)	(274,058)	(8,848,475)
Total Capital Assets, Being Depreciated, Net	48,207,334	(544,344)	7,560	47,655,430
Governmental Activities Capital Assets, Net	<b>\$49,139,429</b>	<b>\$ (544,344)</b>	<b>\$ 382,505</b>	<b>\$48,212,580</b>

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

<b>Governmental Activities</b>	
Instruction	\$ 12,642
Supporting Services	1,193,128
Food Service	452
Total	<b>\$ 1,206,222</b>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	<u>Balance</u> 6/30/15	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/16	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
2012 General Obligation Bonds	\$ 9,590,000	\$ -	\$ -	\$ 9,590,000	\$ -
Bond Premium	344,822	-	20,284	324,538	-
2010 General Obligation Debt	15,393,799	-	700,725	14,693,074	729,328
2004 General Obligation Bonds	1,495,000	-	550,000	945,000	570,000
Bond Premium	14,700	-	4,900	9,800	-
Compensated Absences	335,606	37,270	52,500	320,376	31,666
Severance	457,960	-	79,952	378,008	77,964
<b>Total</b>	<b><u>\$ 27,631,887</u></b>	<b><u>\$ 37,270</u></b>	<b><u>\$ 1,408,361</u></b>	<b><u>\$ 26,260,796</u></b>	<b><u>\$ 1,408,958</u></b>

**General Obligation Debt**

In December 2012, the District issued \$9,590,000 General Obligation Bonds, Series 2012, to finance construction of a new elementary school. In addition, the District received grant funding of up to \$4,094,712 under the State of Colorado's Building Excellent Schools Today (BEST) program. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 2% to 4% per annum. Principal payments are due annually on December 1, from 2017 through 2033.

In December 2010, the State of Colorado issued Taxable Qualified School Construction Certificates of Participation, Series 2010D. A portion of the proceeds, in the amount of \$17,961,801, were provided to the District under site lease and sublease agreements to construct a new high school and renovate the existing middle school. In addition, the District was awarded grant funding of \$13,206,780 under the BEST program. Under the sublease agreement, the District is required to make semi-annual base rent payments to the State of Colorado, including interest accruing at 4.082% per annum, through December 1, 2030.

In September 2004, the District issued \$5,070,000 General Obligation Refunding Bonds to refund a portion of the 1998 General Obligation Bonds, which were issued to finance the construction of a new middle school. Interest payments are due semi-annually on June 1 and December 1, with interest accruing at rates ranging from 3% to 4% per annum. Principal payments are due annually on December 1, through 2017.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 4: LONG-TERM DEBT (Continued)**

**General Obligation Debt (Continued)**

Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,299,328	\$ 882,590	\$ 2,181,918
2018	1,254,100	832,467	2,086,567
2019	1,285,086	787,198	2,072,284
2020	1,327,337	744,288	2,071,625
2021	1,370,905	698,548	2,069,453
2022 - 2026	7,618,007	2,725,086	10,343,093
2027 - 2031	9,063,311	1,250,642	10,313,953
2032 - 2034	<u>2,010,000</u>	<u>115,475</u>	<u>2,125,475</u>
Total	<u><b>\$ 25,228,074</b></u>	<u><b>\$ 8,036,294</b></u>	<u><b>\$ 33,264,368</b></u>

**Compensated Absences and Severance**

Payments to maturity for the severance obligation are as follows:

<u>Year Ended June 30,</u>	
2017	\$ 77,964
2018	79,641
2019	66,153
2020	77,125
2021	<u>77,125</u>
Total	<u><b>\$ 378,008</b></u>

Compensated absences and severance are expected to be liquidated with revenues of the General Fund.

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2016, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Head Start	General	\$ 169,924
Food Service	General	140,000
Capital Reserve	General	<u>172,400</u>
Total		<u><b>\$ 482,324</b></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 5: INTERFUND TRANSACTIONS (Continued)**

The General Fund provided a portion of its property taxes to the Head Start Fund to improve salaries and benefits for those educational programs. Annually, the General Fund subsidizes the operations of the Food Service Fund. The General Fund finances capital purchases through transfers to the Capital Reserve Fund.

**NOTE 6: JOINTLY GOVERNED ORGANIZATION**

The District, in conjunction with other surrounding districts, created the Mountain 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 BOCES board is comprised of one member from each participating district. During the year ended June 30, 2016, the District contributed \$61,573 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**General Information**

*Plan Description* - The District contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the District participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)****General Information** (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

*Contributions* - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the year ended June 30, 2016, were \$1,261,758, equal to the required contributions.

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

At June 30, 2016, the District reported a net pension liability of \$23,778,241, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.1554713240%, which was a decrease of 0.0005983215% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,205,326. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 313,994	\$ 995
Changes of assumptions and other inputs	-	336,029
Net difference between projected and actual earnings on plan investments	2,023,216	-
Changes in proportion	-	293,251
Contributions subsequent to the measurement date	<u>750,268</u>	<u>-</u>
Total	<u>\$ 3,087,478</u>	<u>\$ 630,275</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

District contributions subsequent to the measurement date of \$750,268 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 367,093
2018	408,640
2019	516,607
2020	<u>414,595</u>
Total	<b><u>\$ 1,706,935</u></b>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

The actuarial assumptions used in the December 31, 2013, 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)****Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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

*Discount Rate* - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently requires annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	<b>\$ 30,823,550</b>	<b>\$ 23,778,241</b>	<b>\$ 17,917,859</b>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS as amended. The District's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$68,622, \$68,766 and \$65,775, respectively, equal to the required amounts for each year.

**NOTE 9: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2016, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

**Capital Renewal Reserve**

The District was awarded two Building Excellent Schools Today (BEST) grants from the State of Colorado to construct and improve school buildings. In accordance with the related State statutes, the District is required to establish a capital renewal reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. At a minimum, the District must contribute \$100 per pupil in the impacted facilities annually to the capital renewal reserve. At June 30, 2016, the reserve was reported as restricted fund balance in the Capital Reserve Fund, in the amount of \$261,200.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

**NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)**

**Tabor Amendment**

In November 1992, voters passed an amendment to the Colorado Constitution, Article X, Section 20, which limits state and local government taxing powers and imposes spending limitations. In November, 1998, electors within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under Article X, Section 20, of the Colorado Constitution or any other law.

The amendment is subject to many interpretations, but the District believes it is in substantial compliance with the amendment. As required by the amendment, the District has established a reserve for emergencies of \$353,000 at June 30, 2016. This reserve is reported as restricted fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

SALIDA SCHOOL DISTRICT NUMBER R-32-J

REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>PROPORTIONATE SHARE OF THE NET PENSION LIABILITY</b>			
District's Proportion of the Net Pension Liability	0.1554713240%	0.1560696455%	0.1600700181%
District's Proportionate Share of the Net Pension Liability	\$ 23,778,241	\$ 21,152,679	\$ 20,416,888
District's Covered-Employee Payroll	\$ 6,775,403	\$ 6,538,195	\$ 6,452,933
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>DISTRICT CONTRIBUTIONS</b>			
Statutorily Required Contribution	\$ 1,193,136	\$ 1,138,738	\$ 1,030,687
Contributions in Relation to the Statutorily Required Contribution	<u>(1,193,136)</u>	<u>(1,138,738)</u>	<u>(1,030,687)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's Covered-Employee Payroll	\$ 6,727,654	\$ 6,741,745	\$ 6,448,488
Contributions as a Percentage of Covered-Employee Payroll	17.73%	16.89%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Property Taxes	\$ 4,575,763	\$ 4,779,521	\$ 4,783,412	\$ 3,891
Specific Ownership Taxes	690,000	750,000	788,829	38,829
Investment Income	3,741	3,741	8,532	4,791
BOCES Reimbursement	340,921	350,426	358,690	8,264
Other	97,245	100,646	131,301	30,655
Total Local Sources	<u>5,707,670</u>	<u>5,984,334</u>	<u>6,070,764</u>	<u>86,430</u>
County Sources	<u>210,500</u>	<u>210,500</u>	<u>216,303</u>	<u>5,803</u>
<b>State Sources</b>				
State Equalization	4,828,479	4,829,272	4,833,337	4,065
English Language Proficiency Act (ELPA)	-	8,027	7,886	(141)
Transportation	12,450	49,283	51,298	2,015
Vocational Education	-	12,450	2,596	(9,854)
Other	84,680	46,327	57,667	11,340
Total State Sources	<u>4,925,609</u>	<u>4,945,359</u>	<u>4,952,784</u>	<u>7,425</u>
<b>Federal Sources</b>				
Medicaid	<u>72,000</u>	<u>63,000</u>	<u>123,067</u>	<u>60,067</u>
<b>TOTAL REVENUES</b>	<u>10,915,779</u>	<u>11,203,193</u>	<u>11,362,918</u>	<u>159,725</u>
<b>EXPENDITURES</b>				
Instruction	6,211,525	6,289,730	6,116,707	173,023
<b>Supporting Services</b>				
Students	467,051	392,123	416,641	(24,518)
Instructional Staff	464,484	472,204	427,807	44,397
General Administration	535,747	691,561	714,508	(22,947)
School Administration	665,352	665,735	646,909	18,826
Business Services	294,489	297,032	298,947	(1,915)
Operations and Maintenance	1,057,653	1,087,590	1,037,928	49,662
Student Transportation	342,932	344,213	290,818	53,395
Central Support	198,021	208,944	178,220	30,724
Other Support	76,717	76,717	81,257	(4,540)
<b>TOTAL EXPENDITURES</b>	<u>10,313,971</u>	<u>10,525,849</u>	<u>10,209,742</u>	<u>316,107</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	601,808	677,344	1,153,176	475,832
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(564,731)</u>	<u>(573,080)</u>	<u>(482,324)</u>	<u>90,756</u>
<b>NET CHANGE IN FUND BALANCE</b>	37,077	104,264	670,852	566,588
FUND BALANCE, Beginning	<u>2,674,067</u>	<u>3,173,349</u>	<u>3,173,446</u>	<u>97</u>
FUND BALANCE, Ending	<u>\$ 2,711,144</u>	<u>\$ 3,277,613</u>	<u>\$ 3,844,298</u>	<u>\$ 566,685</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

**NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS**

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The District's contributions and related ratios represent cash contributions and any related accruals that coincide with the District's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

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

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets**

Budgets are adopted for all funds of the District, except the Agency Fund. Budgets are presented on a basis consistent with generally accepted accounting principles.

The District adheres to the following procedures in establishing the budgetary information reflected in the financial statements:

- By May 31, management submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted by the Board of Education to obtain taxpayer comments.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- All budgets lapse at fiscal year end.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)**

**Legal Compliance**

For the year ended June 30, 2016, expenditures of the Head Start Fund exceeded the budgeted amounts by \$63,629. In addition, the supplemental budget adopted for the Building Fund allowed for expenditures in excess of the resources available. These may be violations of State statutes.

**SUPPLEMENTARY INFORMATION**

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

	<u>HEAD START</u>	<u>GRANTS</u>	<u>FOOD SERVICE</u>	<u>BUILDING</u>
<b>ASSETS</b>				
Cash and Investments	\$ 143,535	\$ 9,874	\$ 58,066	\$ -
Restricted Cash and Investments	-	-	-	85,426
Grants Receivable	63,029	57,007	-	2,982
Inventories	-	-	4,750	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<b>\$ <u>206,564</u></b>	<b>\$ <u>66,881</u></b>	<b>\$ <u>62,816</u></b>	<b>\$ <u>88,408</u></b>
<b>LIABILITIES</b>				
Accounts Payable	\$ -	\$ -	\$ -	\$ 2,982
Accrued Salaries and Benefits	-	19,512	25,770	-
Unearned Revenues	-	1,290	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>	<b><u>20,802</u></b>	<b><u>25,770</u></b>	<b><u>2,982</u></b>
<b>FUND BALANCES</b>				
Nonspendable Inventories	-	-	4,750	-
Restricted for Capital Renewal	-	-	-	-
Restricted for Capital Projects	-	-	-	85,426
Restricted for Head Start	206,564	-	-	-
Assigned to Grant Programs	-	46,079	-	-
Assigned to Food Services	-	-	32,296	-
Assigned to Capital Projects	-	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<b><u>206,564</u></b>	<b><u>46,079</u></b>	<b><u>37,046</u></b>	<b><u>85,426</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ <u>206,564</u></b>	<b>\$ <u>66,881</u></b>	<b>\$ <u>62,816</u></b>	<b>\$ <u>88,408</u></b>

See the accompanying Independent Auditors' Report.

<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
\$ 714,226	\$ 925,701
-	85,426
-	123,018
-	4,750
\$ <u>714,226</u>	\$ <u>1,138,895</u>
\$ -	\$ 2,982
-	45,282
-	1,290
-	49,554
-	4,750
261,200	261,200
-	85,426
-	206,564
-	46,079
-	32,296
453,026	453,026
714,226	1,089,341
\$ <u>714,226</u>	\$ <u>1,138,895</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended June 30, 2016

	<u>HEAD START</u>	<u>GRANTS</u>	<u>FOOD SERVICE</u>	<u>BUILDING</u>
REVENUES				
Local Sources	\$ 78,193	\$ 1,273	\$ 135,758	\$ 543
State Sources	-	15,148	7,380	276,332
Federal Sources	<u>1,068,004</u>	<u>344,112</u>	<u>220,844</u>	<u>-</u>
 TOTAL REVENUES	 <u>1,146,197</u>	 <u>360,533</u>	 <u>363,982</u>	 <u>276,875</u>
EXPENDITURES				
Current				
Instruction	430,592	229,023	-	-
Supporting Services	861,111	130,762	-	-
Food Service	-	-	467,912	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>483,458</u>
 TOTAL EXPENDITURES	 <u>1,291,703</u>	 <u>359,785</u>	 <u>467,912</u>	 <u>483,458</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (145,506)	 748	 (103,930)	 (206,583)
OTHER FINANCING SOURCES				
Transfers In	<u>169,924</u>	<u>-</u>	<u>140,000</u>	<u>-</u>
 NET CHANGE IN FUND BALANCES	 24,418	 748	 36,070	 (206,583)
FUND BALANCES, Beginning	<u>182,146</u>	<u>45,331</u>	<u>976</u>	<u>292,009</u>
FUND BALANCES, Ending	<u>\$ 206,564</u>	<u>\$ 46,079</u>	<u>\$ 37,046</u>	<u>\$ 85,426</u>

See the accompanying Independent Auditors' Report.

<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
\$ 16,954	\$ 232,721
-	298,860
-	<u>1,632,960</u>
<u>16,954</u>	<u>2,164,541</u>
-	659,615
-	991,873
-	467,912
<u>235,269</u>	<u>718,727</u>
<u>235,269</u>	<u>2,838,127</u>
(218,315)	(673,586)
<u>172,400</u>	<u>482,324</u>
(45,915)	(191,262)
<u>760,141</u>	<u>1,280,603</u>
\$ <u><u>714,226</u></u>	\$ <u><u>1,089,341</u></u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

HEAD START FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Tuition	\$ -	\$ -	\$ 23,026	\$ 23,026
Other	-	31,500	55,167	23,667
Federal Sources				
Grants	<u>1,026,843</u>	<u>1,026,843</u>	<u>1,068,004</u>	<u>41,161</u>
<b>TOTAL REVENUES</b>	<u>1,026,843</u>	<u>1,058,343</u>	<u>1,146,197</u>	<u>87,854</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries	206,402	206,402	247,302	(40,900)
Employee Benefits	60,856	60,856	78,232	(17,376)
Purchased Services	73,253	73,253	77,086	(3,833)
Supplies and Materials	37,900	37,900	27,972	9,928
Other	62,613	62,613	-	62,613
Total Instruction	<u>441,024</u>	<u>441,024</u>	<u>430,592</u>	<u>10,432</u>
Supporting Services				
Salaries	406,088	406,088	383,777	22,311
Employee Benefits	120,474	120,474	112,187	8,287
Purchased Services	260,488	260,488	301,671	(41,183)
Supplies and Materials	-	-	62,926	(62,926)
Other	-	-	550	(550)
Total Supporting Services	<u>787,050</u>	<u>787,050</u>	<u>861,111</u>	<u>(74,061)</u>
<b>TOTAL EXPENDITURES</b>	<u>1,228,074</u>	<u>1,228,074</u>	<u>1,291,703</u>	<u>(63,629)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(201,231)	(169,731)	(145,506)	24,225
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>169,731</u>	<u>169,731</u>	<u>169,924</u>	<u>193</u>
<b>NET CHANGE IN FUND BALANCE</b>	(31,500)	-	24,418	24,418
<b>FUND BALANCE, Beginning</b>	<u>200,163</u>	<u>182,146</u>	<u>182,146</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 168,663</u>	<u>\$ 182,146</u>	<u>\$ 206,564</u>	<u>\$ 24,418</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Grants	\$ 1,368	\$ 1,368	\$ 1,273	\$ (95)
State Grants	15,128	15,128	15,148	20
Federal Grants	366,243	366,243	344,112	(22,131)
<b>TOTAL REVENUES</b>	<b>382,739</b>	<b>382,739</b>	<b>360,533</b>	<b>(22,206)</b>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries	49,551	49,551	49,378	173
Employee Benefits	10,079	10,079	10,042	37
Purchased Services	-	-	947	(947)
Supplies and Materials	4,250	4,250	10,370	(6,120)
Property	11,335	11,335	-	11,335
Other	158,386	158,386	158,286	100
Total Instruction	233,601	233,601	229,023	4,578
<b>Supporting Services</b>				
Salaries	85,997	85,997	75,681	10,316
Employee Benefits	24,215	24,215	21,310	2,905
Purchased Services	14,000	14,000	13,217	783
Supplies and Materials	2,266	2,266	3,010	(744)
Property	9,116	9,116	-	9,116
Other	13,544	13,544	17,544	(4,000)
Total Supporting Services	149,138	149,138	130,762	18,376
<b>TOTAL EXPENDITURES</b>	<b>382,739</b>	<b>382,739</b>	<b>359,785</b>	<b>22,954</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>748</b>
FUND BALANCE, Beginning	24,345	45,427	45,331	(96)
FUND BALANCE, Ending	\$ 24,345	\$ 45,427	\$ 46,079	\$ 652

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
Local Sources				
Charges for Services	\$ 132,200	\$ 144,999	\$ 135,748	\$ (9,251)
Investment Income	13	13	10	(3)
State Sources				
State Grants	7,165	7,165	7,380	215
Federal Sources				
School Breakfast and Lunch Program	<u>191,900</u>	<u>206,972</u>	<u>220,844</u>	<u>13,872</u>
<b>TOTAL REVENUES</b>	<u>331,278</u>	<u>359,149</u>	<u>363,982</u>	<u>4,833</u>
<b>EXPENDITURES</b>				
Salaries	177,301	185,483	176,489	8,994
Employee Benefits	62,900	64,553	58,168	6,385
Purchased Services	7,500	7,500	10,949	(3,449)
Supplies and Materials	<u>237,522</u>	<u>252,594</u>	<u>222,306</u>	<u>30,288</u>
<b>TOTAL EXPENDITURES</b>	<u>485,223</u>	<u>510,130</u>	<u>467,912</u>	<u>42,218</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(153,945)	(150,981)	(103,930)	47,051
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>145,500</u>	<u>150,949</u>	<u>140,000</u>	<u>(10,949)</u>
<b>NET CHANGE IN FUND BALANCE</b>	(8,445)	(32)	36,070	36,102
FUND BALANCE, Beginning	<u>8,630</u>	<u>976</u>	<u>976</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 185</u>	<u>\$ 944</u>	<u>\$ 37,046</u>	<u>\$ 36,102</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
 Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 2,207,847	\$ 2,207,809	\$ 2,226,744	\$ 18,935
Investment Income	950	950	3,330	2,380
TOTAL REVENUES	2,208,797	2,208,759	2,230,074	21,315
EXPENDITURES				
Debt Service				
Principal	1,250,725	1,250,725	1,250,725	-
Interest and Fiscal Charges	933,433	933,433	933,133	300
TOTAL EXPENDITURES	2,184,158	2,184,158	2,183,858	300
NET CHANGE IN FUND BALANCE	24,639	24,601	46,216	21,615
FUND BALANCE, Beginning	1,005,098	1,733,438	1,733,438	-
FUND BALANCE, Ending	\$ 1,029,737	\$ 1,758,039	\$ 1,779,654	\$ 21,615

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

BUILDING FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Investment Income	\$ 300	\$ 300	\$ 543	\$ 243
State Sources				
State Grants	<u>783,000</u>	<u>776,370</u>	<u>276,332</u>	<u>(500,038)</u>
TOTAL REVENUES	<u>783,300</u>	<u>776,670</u>	<u>276,875</u>	<u>(499,795)</u>
EXPENDITURES				
Capital Outlay	<u>954,940</u>	<u>1,075,930</u>	<u>483,458</u>	<u>592,472</u>
TOTAL EXPENDITURES	<u>954,940</u>	<u>1,075,930</u>	<u>483,458</u>	<u>592,472</u>
NET CHANGE IN FUND BALANCE	(171,640)	(299,260)	(206,583)	92,677
FUND BALANCE, Beginning	<u>171,640</u>	<u>292,009</u>	<u>292,009</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ (7,251)</u>	<u>\$ 85,426</u>	<u>\$ 92,677</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE  
CAPITAL RESERVE FUND  
 Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
Local Sources				
Investment Income	\$ 1,020	\$ 1,020	\$ 1,954	\$ 934
Other	-	138,619	15,000	(123,619)
<b>TOTAL REVENUES</b>	<u>1,020</u>	<u>139,639</u>	<u>16,954</u>	<u>(122,685)</u>
<b>EXPENDITURES</b>				
Capital Outlay				
Buildings and Improvements	113,650	226,904	82,460	144,444
Equipment	143,200	250,272	152,809	97,463
<b>TOTAL EXPENDITURES</b>	<u>256,850</u>	<u>477,176</u>	<u>235,269</u>	<u>241,907</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(255,830)	(337,537)	(218,315)	119,222
<b>OTHER FINANCING SOURCES</b>				
Transfers In	169,500	172,400	172,400	-
<b>NET CHANGE IN FUND BALANCE</b>	(86,330)	(165,137)	(45,915)	119,222
FUND BALANCE, Beginning	802,573	760,141	760,141	-
FUND BALANCE, Ending	<u>\$ 716,243</u>	<u>\$ 595,004</u>	<u>\$ 714,226</u>	<u>\$ 119,222</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2016

	<u>BALANCES</u> 6/30/15	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/16
<b>Pupil Activity Fund</b>				
<b>ASSETS</b>				
Cash and Investments	\$ <u>669,544</u>	\$ <u>641,945</u>	\$ <u>992,854</u>	\$ <u>318,635</u>
<b>LIABILITIES</b>				
Held for Student Scholarships	436,547	(7,974)	370,273	58,300
Due to Student Groups	<u>232,997</u>	<u>649,919</u>	<u>622,581</u>	<u>260,335</u>
<b>TOTAL LIABILITIES</b>	\$ <u>669,544</u>	\$ <u>641,945</u>	\$ <u>992,854</u>	\$ <u>318,635</u>

See the accompanying Independent Auditors' Report.

**COMPLIANCE SECTION**

**SINGLE AUDIT**

Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

**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***

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 14, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Salida School District Number R-32-J's internal control over financial reporting 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 Salida School District Number R-32-J's internal control. Accordingly, we do not express an opinion on the effectiveness of the Salida School District Number R-32-J's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Salida School District Number R-32-J's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the Salida School District Number R-32-J's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Salida School District Number R-32-J's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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 Salida School District Number R-32-J'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 Salida School District Number R-32-J's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



December 14, 2016



Board of Education  
Salida School District Number R-32-J  
Salida, Colorado

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM, INTERNAL CONTROL OVER COMPLIANCE,  
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY THE UNIFORM GUIDANCE**

**Report on Compliance for Each Major Federal Program**

We have audited the Salida School District Number R-32-J's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Salida School District Number R-32-J's major federal programs for the year ended June 30, 2016. The Salida School District Number R-32-J'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 the federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Salida School District Number R-32-J'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 OMB's *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 Salida School District Number R-32-J'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 Salida School District Number R-32-J's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Salida School District Number R-32-J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

### **Report on Internal Control Over Compliance**

Management of the Salida School District Number R-32-J 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 Salida School District Number R-32-J'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 circumstance 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 Salida School District Number R-32-J's internal control over compliance.

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

Our consideration of the Salida School District Number R-32-J's internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J. We issued our report thereon dated December 14, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



December 14, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended June 30, 2016

**Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weaknesses identified? \_\_\_\_\_ yes   x   no

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes   x   no

*Federal Awards*

Internal control over major federal programs:

• Material weaknesses identified? \_\_\_\_\_ yes   x   no

• Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ yes   x   none reported

Type of auditors' report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of OMB's Uniform Guidance? \_\_\_\_\_ yes   x   no

Identification of major federal program:

93.600 Head Start

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

Auditee qualified as low-risk auditee?   x   yes \_\_\_\_\_ no

**Financial Statement Findings**

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, noncompliance, or abuse that were material to those financial statements.

**Federal Awards Findings and Questioned Costs**

The audit of federal awards did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose instances of noncompliance or abuse that were material to those federal awards.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Year Ended June 30, 2016

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Education</b>			
Passed through Colorado Department of Education			
Title I	4010	84.010	\$ 166,104
Race to the Top	4413	84.413	1,113
Improving Teacher Quality	4367	84.367	49,690
Passed through Colorado Department of Human Services			
Vocational Rehabilitation		84.126	70,547
Passed through Colorado Community College System			
Career and Technical Education		84.048	<u>10,217</u>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<u>297,671</u>
<b>U.S. Department of Agriculture</b>			
Child Nutrition Cluster			
Passed through Colorado Department of Human Services			
Donated Commodities		10.555	27,757
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	36,845
National School Lunch Program	4555	10.555	<u>156,242</u>
<b>Total Child Nutrition Cluster</b>			<u>220,844</u>
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program		10.558	<u>53,963</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u>274,807</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Program			
Head Start		93.600	<u>1,014,041</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u>1,014,041</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 1,586,519</u>

See the accompanying Independent Auditors' Report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

**NOTE 1: BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB's *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

**STATE COMPLIANCE**



**Colorado Department of Education**

**Auditors Integrity Report**

District: 0500 - SALIDA R-32  
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 Uses	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj Ending Fund Balance
	+		-	=
<b>Governmental</b>				
10 General Fund	3,107,135	10,689,593	10,088,193	3,728,535
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	66,310	191,002	141,548	115,764
<b>Sub- Total</b>	<b>3,173,446</b>	<b>10,880,596</b>	<b>10,209,742</b>	<b>3,844,300</b>
11 Charter School Fund	0	0	0	0
20-26-29 Special Revenue Fund	182,145	1,316,122	1,291,703	206,564
21 Food Service Spec Revenue Fund	975	503,981	467,910	37,046
22 Govt Designated-Purpose Grants Fund	45,331	360,534	359,786	46,079
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	1,733,438	2,230,074	2,183,858	1,779,653
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	292,009	276,875	483,458	85,426
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	760,141	189,355	235,270	714,227
<b>Totals</b>	<b>6,187,485</b>	<b>15,757,537</b>	<b>15,231,728</b>	<b>6,713,294</b>
<b>Proprietary</b>				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60-65-69 Other Internal Service Funds	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	436,548	-7,974	370,274	58,300
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	232,996	649,919	622,580	260,336
79 GASB 34-Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
<b>Totals</b>	<b>669,544</b>	<b>641,945</b>	<b>992,854</b>	<b>318,635</b>

FINAL

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