



SAN MIGUEL COUNTY SCHOOL DISTRICT R-2J
FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2016



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INDEPENDENT AUDITORS' REPORT

October 24, 2016

The Board of Education
San Miguel County School District R-2J
Norwood, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Miguel County School District R-2J (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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



San Miguel County School District R-2J

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Miguel County School District R-2J, as of June 30, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the San Miguel County School District R2-J's basic financial statements. The combining statement and schedule for the nonmajor governmental funds, the capital projects fund, bond redemption fund, food service fund, and student activities fund budgetary comparison schedules (the budgetary comparison schedules) and the Auditors Integrity Report of the Colorado Department of Education (the Report) 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 relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Chadwick, Steinkirchner, Davis & Co., P.C.

Management's Discussion and Analysis

San Miguel County (Norwood) School District R2-Jt.

June 30, 2016

As management of the Norwood School District R2-Jt. (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016.

Financial Highlights

The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$3,424,452 (net position). Of this amount, \$1,207,024 is invested in capital assets (net of related debt), \$107,715 is restricted for emergencies, \$285,360 is restricted for debt service, \$13,179 is restricted for food service, and \$156 is restricted for capital projects, leaving an unrestricted negative net position balance of (\$5,037,886).

At the end of the current fiscal year, fund balance for the general fund was \$1,495,565. This is attributable to a conservative approach in budgeting for the school district so the fund balance is covering at least three months of operating expenditures.

During the fiscal year, the fund balance in the District's general fund increased by \$139,940.

The District's long-term obligations decreased by \$230,000 as a result of current year payments on the debt.

Overview of the Financial Statements

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

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

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

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

The government-wide financial statements only have governmental activities that are principally supported by taxes and intergovernmental revenues. The governmental activities of the District include instructional services, pupil services, instructional staff services, general administration services, school administration services, maintenance and capital asset services, and transportation services. The government-wide financial statements include only the District itself, as the District has no component units. The government-wide financial statements can be found on pages 9 and 10 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

The District maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, the Bond Redemption Debt Service Fund, and nonmajor governmental funds. The General Fund and bond Redemption funds are considered to be major funds.

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

The basic governmental fund financial statements can be found on pages 11-15 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District uses an agency fund to account for resources held for student activities and groups.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 17-33 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$3,424,452 at the close of the most recent fiscal year. This negative net position is the result of implementing GASB 68 related to pension liabilities.

The District's net position is in its net investment in capital assets (e.g., land and improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding, is \$1,207,024. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Property taxes are levied specifically to fund debt service on general obligation bonds.

Norwood School District R2-Jt.'s Net Position

| | <u>Governmental Activities</u> | | <u>Totals</u> | |
|-----------------------------------|--------------------------------|----------------------|----------------------|----------------------|
| | 2015 | 2016 | 2015 | 2016 |
| Current and other assets | \$1,995,929 | \$2,192,839 | \$1,995,929 | \$2,192,839 |
| Capital assets | <u>3,001,964</u> | <u>2,852,614</u> | <u>3,001,964</u> | <u>2,852,614</u> |
| Total assets | <u>4,997,893</u> | <u>5,045,453</u> | <u>4,997,893</u> | <u>5,045,453</u> |
| Deferred Outflows | 349,669 | 882,733 | 349,669 | 882,733 |
| Long-term liabilities outstanding | 1,673,569 | 1,417,388 | 1,673,569 | 1,417,388 |
| Other liabilities | 645,422 | 714,019 | 645,422 | 714,019 |
| Net Pension Liability | <u>6,366,224</u> | <u>6,941,456</u> | <u>6,366,224</u> | <u>6,941,456</u> |
| Total liabilities | <u>8,685,215</u> | <u>9,072,863</u> | <u>8,685,215</u> | <u>9,072,863</u> |
| Deferred Inflows | 40,998 | 279,775 | 40,998 | 279,775 |
| Net position: | | | | |
| Net investment in capital assets | 1,123,944 | 1,207,024 | 1,123,944 | 1,207,024 |
| Restricted | 382,753 | 406,410 | 382,753 | 406,410 |
| Unrestricted | <u>(4,885,348)</u> | <u>(5,037,886)</u> | <u>(4,885,348)</u> | <u>(5,037,886)</u> |
| Total net position | <u>\$(3,378,651)</u> | <u>\$(3,424,452)</u> | <u>\$(3,378,651)</u> | <u>\$(3,424,452)</u> |

The District was required to implement GASB 68 last year which addresses pension liabilities and expenses for the current year. The result is a large noncurrent liability and a negative net position.

The largest portion of the District's assets (fifty-seven percent) reflects its investment in capital assets, less accumulated depreciation. Forty-three percent of the District's assets are cash and investments. Ninety-five percent of the District's current liabilities represent accrued salaries and fringe benefits. This liability occurs when teachers and certain other District employees work nine months of the year, but are paid over a full twelve months. Therefore, for each month these employees work, they earn more than they are paid. Colorado statutes do not require the liability to be funded or budgeted for until the year in which it is paid.

The liability will be paid in the months of July and August 2016 with state funds received in fiscal year 2017. There was a decrease in long-term liabilities outstanding of \$230,000 due to payment of debt obligations.

Governmental activities. Governmental activities decreased the District's net position by \$45,801. Key elements of these changes are as follows:

Norwood School District R2-Jt's Changes in Net Position

| | Governmental Activities | | Totals | |
|---|-------------------------|---------------|---------------|---------------|
| | 2015 | 2016 | 2015 | 2016 |
| Revenues: | | | | |
| Charges for services | \$ 107,711 | \$ 102,640 | \$ 107,711 | \$102,640 |
| Operating grants | 233,249 | 361,521 | 233,249 | 361,521 |
| Capital grants | 19,457 | 21,246 | 19,457 | 21,246 |
| Property taxes levied for general purposes | 623,701 | 694,998 | 623,701 | 694,998 |
| Property taxes levied for debt services | 248,868 | 281,449 | 248,868 | 281,449 |
| State equalization | 2,559,460 | 2,628,653 | 2,559,460 | 2,628,653 |
| Specific ownership taxes | 45,471 | 47,887 | 45,471 | 47,887 |
| Investment earnings | 558 | 198 | 558 | 198 |
| Mineral leases | 1,721 | 1,384 | 1,721 | 1,384 |
| Miscellaneous revenue | 6,104 | 2,434 | 6,104 | 2,434 |
| Transfers | | | | |
| Total revenues | 3,846,300 | 4,142,410 | 3,846,300 | 4,142,410 |
| Expenses: | | | | |
| Instructional services | 2,309,117 | 2,280,183 | 2,309,117 | 2,280,183 |
| Support services: | | | | |
| Pupils | 163,161 | 123,132 | 163,161 | 123,132 |
| Instructional Staff | 130,954 | 131,264 | 130,954 | 131,264 |
| General administration | 351,411 | 306,417 | 351,411 | 306,417 |
| School administration | 342,075 | 424,632 | 342,075 | 424,632 |
| Operations/maintenance | 395,370 | 514,960 | 395,370 | 514,960 |
| Pupil transportation | 168,736 | 170,919 | 168,736 | 170,919 |
| Interest on long-term debt | 81,628 | 34,737 | 81,628 | 34,737 |
| Depreciation-unallocated | 22,415 | 22,415 | 22,415 | 22,415 |
| Food services | 180,328 | 179,552 | 180,328 | 179,552 |
| Total expenses | 4,145,195 | 4,188,211 | 4,145,195 | 4,188,211 |
| Change in net position | (298,895) | (45,801) | (298,895) | (45,801) |
| Net position - beginning | 2,755,388 | (3,378,651) | 2,755,388 | (3,378,651) |
| Changes in accounting principle | (5,835,144) | | (5,835,144) | |
| Net position, beginning, restated | (3,079,756) | (3,378,651) | (3,079,756) | (3,378,651) |
| Net position – ending | \$(3,378,651) | \$(3,424,452) | \$(3,378,651) | \$(3,424,452) |

Key elements of the change in net position are as follows:

State equalization aid increased by \$69,193 (three percent) during the fiscal year. Property taxes levied for general purposes and for debt service increased. Some of the increase is the product of the Colorado Public School Finance Act, which provides for the majority of the funding of local school districts based on a funded pupil count formula and a standardized maximum statewide property tax mill levy.

General fund expenditures actually spent were \$1,406,861 under budget. While all staff received a longevity step increase in their salary, the District took steps to reduce expenditures in other areas. This was primarily in reaction to potential reductions in state funding. Salary and benefit expenditures account for ninety-two percent of the total expenditures in the General Fund.

The implementation of GASB 68 had a major impact on the net position and expenses of the District.

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

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,795,490. *Unassigned fund balance* is in a net position of \$1,387,850. Restricted fund balance of \$107,715 must be set aside for emergencies (Tabor).

The General Fund is the chief operating fund of the District. At the end of the current fiscal year, the total fund balance was \$1,495,565.

The fund balance of the District's General Fund increased by \$139,940 during the current fiscal year.

General Fund Budgetary Highlights

There were minor amendments to the General Fund budget, but there were no significant variances from budget to actual noteworthy.

Capital assets. The District's investment in capital assets for its governmental activities as of June 30, 2016 amount to \$2,852,614 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and vehicles and equipment. The total decrease in the District's investment in capital assets for the current fiscal year was due to depreciation.

Long-term debt. At the end of the current fiscal year, the District had total outstanding debt of \$1,630,000. This amount represents general obligation bonds that are backed by the full faith and credit of the District. The general obligation bonds maintain a rating of "AAA" from Standard & Poor's. State statutes limit the amount of general obligation debt a governmental entity may issue to 20 percent of its total assessed valuation. The current debt limitation for the District is \$10,579,256 which is significantly in excess of the District's outstanding general obligation debt.

Economic Factors and Next Year's Budgets

The District's enrollment decreased again, continuing the declining student count that decreases money from the State. This trend could continue with the way the current economy is. Trends in enrollment directly impact the school district's budget for funding. Rising inflation costs and State budget cuts will directly affect the State of Colorado's funding formula for school districts in the future.

Ever-rising costs of health insurance for our staff benefit program means the District has to be very resourceful in purchasing goods and services. Salary increases to our staff are better keeping up with inflation since prior year passage of additional tax revenues.

In November 2000, voters in Colorado approved Amendment 23 to the Colorado constitution providing that K-12 funding would increase at pupil growth plus inflation plus one percent for 10 years and thereafter, growth plus inflation. The amendment created a State Education Fund, which was intended to accumulate revenues to support this level of funding. This provision was intended to stabilize and remove funding from the political process.

Requests for Information

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Norwood School District R2-Jt., Business Manager, P.O. Box 448, Norwood, Colorado 81423.

San Miguel County School District R-2J

STATEMENT OF NET POSITION

June 30, 2016

| ASSETS | Governmental Activities | Total |
|--|----------------------------|-----------------------|
| Cash and investments | \$ 1,900,350 | \$ 1,900,350 |
| Restricted cash and investments | 278,553 | 278,553 |
| Receivables | | |
| Intergovernmental | 12,706 | 12,706 |
| Inventories | 1,230 | 1,230 |
| Capital assets (net of accumulated depreciation) | 2,852,614 | 2,852,614 |
| Total assets | <u>5,045,453</u> | <u>5,045,453</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Pension related deferred outflows | 858,664 | 858,664 |
| Deferred loss on debt refunding | 24,069 | 24,069 |
| Total deferred outflows of resources | <u>882,733</u> | <u>882,733</u> |
| LIABILITIES | | |
| Accounts payable | 10,736 | 10,736 |
| Accrued salaries and benefits | 380,114 | 380,114 |
| Accrued interest payable | 2,871 | 2,871 |
| Unearned revenue | 6,499 | 6,499 |
| Noncurrent liabilities: | | |
| Due within one year: | | |
| General obligation bonds | 256,181 | 256,181 |
| Early retirement payable | 44,592 | 44,592 |
| Compensated absences | 13,026 | 13,026 |
| Due in more than one year: | | |
| Early retirement payable | 3,910 | 3,910 |
| General obligation bonds | 1,413,478 | 1,413,478 |
| Net pension liability | 6,941,456 | 6,941,456 |
| Total liabilities | <u>9,072,863</u> | <u>9,072,863</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Pension related deferred inflows | 279,775 | 279,775 |
| Total deferred inflows of resources | <u>279,775</u> | <u>279,775</u> |
| NET POSITION | | |
| Net investment in capital assets | 1,207,024 | 1,207,024 |
| Restricted for emergencies | 107,715 | 107,715 |
| Restricted for debt service | 285,360 | 285,360 |
| Restricted for food service | 13,179 | 13,179 |
| Restricted for capital projects | 156 | 156 |
| Unrestricted | (5,037,886) | (5,037,886) |
| Total net position | <u>\$ (3,424,452)</u> | <u>\$ (3,424,452)</u> |

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

San Miguel County School District R-2J

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Total |
|--------------------------------------|--------------------------|----------------------|------------------------------------|----------------------------------|-------------------------|-----------------------|
| Governmental activities: | | | | | | |
| Instructional services | \$ 2,280,183 | \$ 60,711 | \$ 173,570 | \$ - | \$ (2,045,902) | \$ (2,045,902) |
| Support services: | | | | | | |
| Pupils | 123,132 | - | - | - | (123,132) | (123,132) |
| Instructional staff | 131,264 | - | - | - | (131,264) | (131,264) |
| General administration | 306,417 | - | - | - | (306,417) | (306,417) |
| School administration | 424,632 | - | - | - | (424,632) | (424,632) |
| Operations and maintenance | 514,960 | - | 69,538 | 21,246 | (424,176) | (424,176) |
| Pupil transportation | 170,919 | - | 28,416 | - | (142,503) | (142,503) |
| Food service | 179,552 | 41,929 | 89,997 | - | (47,626) | (47,626) |
| Interest on long-term debt | 34,737 | - | - | - | (34,737) | (34,737) |
| Depreciation - unallocated | 22,415 | - | - | - | (22,415) | (22,415) |
| Total governmental activities | \$ 4,188,211 | \$ 102,640 | \$ 361,521 | \$ 21,246 | (3,702,804) | (3,702,804) |
| | General revenues: | | | | | |
| | | | | | 694,998 | 694,998 |
| | | | | | 281,449 | 281,449 |
| | | | | | 2,628,653 | 2,628,653 |
| | | | | | 47,887 | 47,887 |
| | | | | | 198 | 198 |
| | | | | | 1,384 | 1,384 |
| | | | | | 2,434 | 2,434 |
| | | | | | 3,657,003 | 3,657,003 |
| | | | | | (45,801) | (45,801) |
| | | | | | (3,378,651) | (3,378,651) |
| | | | | | \$ (3,424,452) | \$ (3,424,452) |

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

San Miguel County School District R-2J

BALANCE SHEET - GOVERNMENTAL FUNDS

June 30, 2016

| | General | Bond Redemption | Nonmajor Governmental | Total Governmental Funds |
|--------------------------------------|---------------------|--------------------|--------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and investments | \$ 1,871,899 | \$ 278,397 | \$ 28,607 | \$ 2,178,903 |
| Due from other governments | 5,743 | 6,963 | - | 12,706 |
| Inventory | - | - | 1,230 | 1,230 |
| Total assets | <u>\$ 1,877,642</u> | <u>\$ 285,360</u> | <u>\$ 29,837</u> | <u>\$ 2,192,839</u> |
| LIABILITIES AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 10,736 | \$ - | \$ - | \$ 10,736 |
| Accrued salaries and benefits | 364,842 | - | 15,272 | 380,114 |
| Unearned revenue | 6,499 | - | - | 6,499 |
| Total liabilities | 382,077 | - | 15,272 | 397,349 |
| Fund balances | | | | |
| Nonspendable | - | - | 1,230 | 1,230 |
| Restricted - TABOR reserve | 107,715 | - | - | 107,715 |
| Restricted for debt service | - | 285,360 | - | 285,360 |
| Restricted for capital projects | - | - | 156 | 156 |
| Restricted for food service | - | - | 13,179 | 13,179 |
| Unassigned | 1,387,850 | - | - | 1,387,850 |
| Total fund balances | <u>1,495,565</u> | <u>285,360</u> | <u>14,565</u> | <u>1,795,490</u> |
| Total liabilities and fund balances | <u>\$ 1,877,642</u> | <u>\$ 285,360</u> | <u>\$ 29,837</u> | <u>\$ 2,192,839</u> |

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

San Miguel County School District R-2J

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

Year ended June 30, 2016

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

| | | |
|---|---------------------------------|---------------------------|
| Total fund balance - governmental funds | \$ | 1,795,490 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is and the accumulated depreciation is | 6,219,481 <u>(3,366,867)</u> | 2,852,614 |
| Deferred loss on the refunding is not a current financial resource and, therefore, is not reported in the funds. | | 24,069 |
| Net pension obligations and the related deferred items are not financial resources and, therefore, are not recorded in the funds. The assessed value of the net pension obligation is (\$6,941,456), the deferred outflows total \$858,664 and the deferred inflows total (\$279,775). | | (6,362,567) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. | | |
| Long-term bonds | (1,630,000) | |
| Bond premium | (39,659) | |
| Early retirement payable | (48,502) | |
| Compensated absences | <u>(13,026)</u> | (1,731,187) |
| Interest accrued on long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds. | | <u>(2,871)</u> |
| Total net position - governmental activities | \$ | <u><u>(3,424,452)</u></u> |

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

San Miguel County School District R-2J

STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS

Year ended June 30, 2016

| | General | Bond Redemption | Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--------------------|-----------------------------------|--------------------------------|
| Revenues | | | | |
| Local sources | \$ 793,578 | \$ 291,469 | \$ 41,928 | \$ 1,126,975 |
| State sources | 2,824,520 | - | 3,410 | 2,827,930 |
| Federal sources | 100,721 | - | 86,587 | 187,308 |
| Interest and other revenues | 92 | 105 | - | 197 |
| Total revenues | <u>3,718,911</u> | <u>291,574</u> | <u>131,925</u> | <u>4,142,410</u> |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 1,983,388 | - | - | 1,983,388 |
| Supporting services | 1,508,724 | - | - | 1,508,724 |
| Food service | - | - | 169,390 | 169,390 |
| Capital outlay | 42,350 | - | 12,575 | 54,925 |
| Debt service, interest and fiscal charges | - | 37,550 | - | 37,550 |
| Debt service principal | - | 230,000 | - | 230,000 |
| Total expenditures | <u>3,534,462</u> | <u>267,550</u> | <u>181,965</u> | <u>3,983,977</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 184,449 | 24,024 | (50,040) | 158,433 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | (44,509) | - | 44,509 | - |
| | <u>(44,509)</u> | <u>-</u> | <u>44,509</u> | <u>-</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 139,940 | 24,024 | (5,531) | 158,433 |
| Fund balances beginning of year, restated | <u>1,355,625</u> | <u>261,336</u> | <u>20,096</u> | <u>1,637,057</u> |
| Fund balance end of year | <u>\$ 1,495,565</u> | <u>\$ 285,360</u> | <u>\$ 14,565</u> | <u>\$ 1,795,490</u> |

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

San Miguel County School District R-2J

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 - total governmental funds | \$ 158,433 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period. (\$149,350 - 0) | (149,350) |
| In the governmental funds, expenditures for the defined benefit plan are measured by the amount of financial resources used, whereas in the statement of activities they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension liability, with accompanying deferred outflows/inflows, changed in the current year. | (277,194) |
| Governmental funds report repayment of debt principal as an expenditure. Also, governmental funds report the effect of debt premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. The net effect of these differences in the treatment of long-term debt is as follows: | |
| Debt principal payments | 230,000 |
| Change in early retirement and compensated absences payable | (10,503) |
| Change in accrued interest payable | 383 |
| Amortization of deferred loss on debt refunding | (3,751) |
| Accretion on bond premium | 6,181 |
| Change in net position of governmental activities | <u>\$ (45,801)</u> |

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

San Miguel County School District R-2J

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND

Year ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|--|--------------------|--------------------|---------------------|--|
| Revenues | | | | |
| Current property taxes | \$ 639,791 | \$ 639,521 | \$ 694,998 | \$ 55,477 |
| Specific ownership taxes | 10,658 | 10,658 | 37,868 | 27,210 |
| State equalization | 2,628,551 | 2,628,552 | 2,628,653 | 101 |
| Transportation | 20,000 | 24,102 | 25,086 | 984 |
| Federal sources | 115,697 | 118,350 | 100,721 | (17,629) |
| State sources, other | 147,750 | 174,924 | 170,781 | (4,143) |
| Interest income | 100 | 100 | 92 | (8) |
| Other | 41,000 | 41,000 | 60,712 | 19,712 |
| Total revenues | 3,603,547 | 3,637,207 | 3,718,911 | 81,704 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 2,048,350 | 2,060,433 | 1,983,388 | 77,045 |
| Supporting services | | | | |
| Pupils | 108,700 | 118,217 | 115,396 | 2,821 |
| Instructional staff | 123,552 | 123,552 | 111,013 | 12,539 |
| General administration | 276,481 | 278,363 | 278,957 | (594) |
| School administration | 240,100 | 240,100 | 241,892 | (1,792) |
| Operations and maintenance | 431,950 | 459,644 | 467,589 | (7,945) |
| Pupil transportation | 157,300 | 157,300 | 140,502 | 16,798 |
| Other supporting services | 157,100 | 163,100 | 153,375 | 9,725 |
| Capital outlay | 48,360 | 50,406 | 42,350 | 8,056 |
| Contingency | 1,293,295 | 1,290,208 | - | 1,290,208 |
| Total expenditures | 4,885,188 | 4,941,323 | 3,534,462 | 1,406,861 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (1,281,641) | (1,304,116) | 184,449 | 1,488,565 |
| Other financing sources (uses) | | | | |
| Transfers in (out) | (51,509) | (51,509) | (44,509) | 7,000 |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | (1,333,150) | (1,355,625) | 139,940 | 1,495,565 |
| Fund balance beginning of year | 1,334,000 | 1,355,625 | 1,355,625 | - |
| Fund balance end of year | \$ 850 | \$ - | \$ 1,495,565 | \$ 1,495,565 |

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

San Miguel County School District R2-J

STATEMENT OF FIDUCIARY NET POSITION
STUDENT ACTIVITIES FUND

Year ended June 30, 2016

ASSETS

| | |
|----------------------|------------------|
| Cash and investments | <u>\$ 56,777</u> |
|----------------------|------------------|

LIABILITIES

| | |
|---------------|------------------|
| Due to others | <u>\$ 56,777</u> |
|---------------|------------------|

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

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of San Miguel County School District R-2J (the District) have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the District's significant accounting policies:

1. The Reporting Entity

The District is governed by a five member Board of Education and is organized and operates in accordance with Colorado statutes. Board of Education members are elected by the citizens of San Miguel County, not appointed by any other governing body. The Board selects the superintendent of schools and senior level administrators. The Board is solely responsible for the District's budget adoption process. The District independently issues debt for short and long-term financing. The District meets the criteria of a primary government: its Board is the publicly elected governing body; it is a legally separate entity; and it is fiscally independent. The District is not included in any other governmental reporting entity, and has no component units.

2. 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 of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants 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.

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

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

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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 and claims and judgments, are recorded only when payment is due.

Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *Bond Redemption Fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Additionally, the government reports the following fund types:

The *Student Activities Agency Fund* is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations or budgetary accounting. However, the Colorado State Auditor's Office has determined that an annual budget and appropriation be adopted by the Board of Education.

The *Capital Projects Fund* is mandated by state statute to account for ongoing capital needs, such as site acquisition, building additions, and equipment purchases.

The *Food Service Fund* accounts for the activities of the nutrition services operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund activity is not eliminated in the fund financial statements.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Amounts reported as *program revenues* include 1) charges to students and customers for tuition, fees, rental or services provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

4. Assets, Liabilities and Net Position or Equity

Cash and Investments

State statutes authorize the government and the District to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of 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 and guaranteed investment contracts.

Investments for the government are reported at fair value.

Receivables and Payables

Interfund receivables and payables result from overdraws of the cash and investment pool. These outstanding balances between funds are reported as “due to/from other funds.”

Inventories

Inventories of expendable supplies and materials are valued at cost using the first-in, first-out basis. Inventory items are charged to expenditures when they are consumed. United States Department of Agriculture commodity inventories are valued using Federal guidelines.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Property, plant, and equipment of the District is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-------------------------------------|--------------|
| Buildings and building improvements | 5 - 40 |
| Land improvements | 10 - 20 |
| Vehicles | 5 - 10 |
| Equipment | 3 - 20 |

Future Compensated Absences

Vacation and personal leave do not vest or accumulate. Sick leave does vest and accumulate up to 30 days and can be paid through the District buy-back program. This program pays at a rate of \$20 per day. The employee can choose to be paid annually or can accumulate up to 30 days and then be paid any excess days annually. Any days remaining at termination or retirement are paid at the same \$20 per day rate. At June 30, 2016, \$6,364 was available for buy-back.

Compensated absences are accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example as a result of employee resignations and retirements.

Early Retirement Benefits

The District has established a voluntary early retirement program. Employees who elect to participate in the program and who meet the established eligibility requirements will be awarded an early retirement bonus in accordance with the terms and conditions of the policy. The bonus currently consists of a one-time payment of \$10,000, plus payment of 18 months of COBRA insurance or a monetary equivalent.

Long-term obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

5. Stewardship, compliance and accountability

Budgetary Information

Annual budgets are adopted for all funds on a basis consistent with GAAP. In June, the Board of Education adopts the budget for the following fiscal year. In accordance with Colorado statutes, the Board makes final changes, if any, when it “readopts” the budget by January 2016. The Board may amend or adopt supplemental budgets during the budget year. There was one supplemental appropriation during the current year for the issuance of refunding debt, as well as the change in budget in January 2016.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Education. At year-end, all appropriations lapse in accordance with Colorado statutes.

6. Pensions

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

NOTE B – CASH

Cash consists of the following:

| | |
|----------------------|---------------------|
| Demand accounts | \$ 2,235,680 |
| Less restricted cash | <u>278,553</u> |
| Unrestricted cash | <u>\$ 1,957,127</u> |

Restricted cash and investments consist of \$156 for capital projects and \$278,397 for debt service.

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least 102% of the aggregate uninsured deposits.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE C – PROPERTY TAXES

Revenue Recognized in 2016

Local property taxes levied for 2015 and collected by June 30, 2016 are recognized as revenue in these financial statements as shown below:

| | <u>Assessed Valuation</u> | <u>Mill Levy</u> | <u>Amount of Taxes</u> | <u>Percent Collected of</u> | | | |
|----------------------|-------------------------------|----------------------|------------------------|-----------------------------|-----------------|--------|--------|
| | | | <u>Levied</u> | <u>Levied</u> | <u>Budgeted</u> | | |
| General fund | \$ 52,896,280 | 11.550 | \$610,952 | \$639,091 | \$696,400 | 114.0% | 109.0% |
| Debt Service fund | \$ 52,896,280 | 4.690 | 248,084 | 285,633 | 281,449 | 113.4% | 98.5% |

Property taxes are assessed on a calendar year basis. The mill levies noted here are for the 2015 calendar year. The monies collected are for the period July 1, 2015 through June 30, 2016.

Property Tax Calendar

The District's property taxes certified by the Board of Education by December 14 and levied on assessed valuation by the County Commissioners by December 15, are due and payable in the subsequent calendar year. Assessed values are established by the county assessor. Property taxes attach as an enforceable lien on property as of January 1 of the year in which payable. The taxes are payable under two methods: 1) in full on or before April 30, 2) one-half on or before February 28 and the remaining one-half on or before June 15. The County Treasurer collects all property taxes. District taxes are received by the 10th of the month following the month of collection, except for the month of June, when two payments are received.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D – CAPITAL ASSETS

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 46,012 | \$ — | \$ — | \$ 46,012 |
| Total capital assets, not being depreciated | 46,012 | — | — | 46,012 |
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | 4,995,681 | — | — | 4,995,681 |
| Land improvements | 158,884 | — | — | 158,884 |
| Vehicles and equipment | <u>1,018,904</u> | <u>—</u> | <u>—</u> | <u>1,018,904</u> |
| Total capital assets being depreciated | 6,173,469 | — | — | 6,173,469 |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | (2,274,224) | (113,285) | — | (2,387,509) |
| Land improvements | (85,404) | (8,169) | — | (93,573) |
| Vehicles and equipment | <u>(857,889)</u> | <u>(27,896)</u> | <u>—</u> | <u>(885,785)</u> |
| Total accumulated depreciation | <u>(3,217,517)</u> | <u>(149,350)</u> | <u>—</u> | <u>(3,366,867)</u> |
| Total capital assets being depreciated, net | <u>2,955,952</u> | <u>(149,350)</u> | <u>—</u> | <u>2,806,602</u> |
| Governmental activities capital assets, net | <u>\$ 3,001,964</u> | <u>\$ (149,350)</u> | <u>\$ —</u> | <u>\$ 2,852,614</u> |

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

| | |
|---|-------------------|
| Governmental activities: | |
| Instructional services | \$ 85,211 |
| Instructional staff services | 10,860 |
| General administration services | 5,110 |
| Operations and maintenance services | 3,900 |
| Pupil transportation services | 19,920 |
| Food service | 1,934 |
| Depreciation – unallocated | <u>22,415</u> |
| Total depreciation expense governmental activities | <u>\$ 149,350</u> |

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E – LONG-TERM LIABILITIES

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

| | <u>Balance 6/30/15</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance 6/30/16</u> | <u>Due within one year</u> |
|-----------------------------|----------------------------|------------------|-------------------|----------------------------|--------------------------------|
| General obligation bonds | \$1,860,000 | \$ – | \$ 230,000 | \$1,630,000 | \$ 250,000 |
| Bond premium | 45,840 | – | 6,181 | 39,659 | 6,181 |
| Early retirement benefit | 36,942 | 44,592 | 33,032 | 48,502 | 40,358 |
| Future compensated absences | <u>14,083</u> | <u>–</u> | <u>1,057</u> | <u>13,026</u> | <u>13,026</u> |
| | <u>\$1,956,865</u> | <u>\$ 44,592</u> | <u>\$ 270,270</u> | <u>\$1,731,187</u> | <u>\$ 309,565</u> |

General Obligation Refunding Bonds

On September 4, 2014, the District issued \$1,885,000 in general obligation serial bonds with interest rates varying between 2.00% and 2.50%. The District issued bonds to advance refund \$1,845,000 of the outstanding series 2004 general obligation bonds. There are no defeased bonds outstanding at June 30, 2016.

The issuance of the debt resulted in a premium of \$50,990. This is being amortized over the life of the bonds. The balance of the premium at June 30, 2016 is \$39,659.

Debt service requirements for general obligation bonds are as follows:

| <u>Maturity June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|---------------------|-------------------|---------------------|
| 2017 | \$ 250,000 | \$ 31,950 | \$ 281,950 |
| 2018 | 250,000 | 26,950 | 276,950 |
| 2019 | 250,000 | 21,950 | 271,950 |
| 2020 | 250,000 | 16,950 | 266,950 |
| 2021 | 260,000 | 11,850 | 271,850 |
| 2022-2023 | <u>370,000</u> | <u>7,125</u> | <u>377,125</u> |
| Total | <u>\$ 1,630,000</u> | <u>\$ 116,775</u> | <u>\$ 1,746,775</u> |

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F – FUND BALANCES

GASB Statement No. 54 clearly defines fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as inventory) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the District's highest level of decision making authority, the School Board, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the School Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the School Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The District will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is District policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

NOTE G – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Contributions. Eligible employees and the District are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401 *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were \$340,402 for the year ended June 30, 2016.

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

At June 30, 2016, the District reported a liability of \$6,941,456 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The District's proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the District's proportion was 0.045386%, which was a decrease of 0.001586 from its proportion measured as of December 31, 2014.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

For the year ended June 30, 2016, the District recognized pension expense of \$617,595. 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> |
|---|---|--|
| Difference between expected and actual experience | \$ 91,662 | \$ 299 |
| Changes of assumptions or other inputs | – | 98,095 |
| Net difference between projected and actual earnings on pension plan investments | 593,925 | – |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | – | 181,381 |
| Contributions subsequent to the measurement date | <u>173,077</u> | <u>–</u> |
| Total | <u>\$ 858,664</u> | <u>\$ 279,775</u> |

\$173,077 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30, 2016: | |
|---------------------------|---------|
| 2017 | 80,970 |
| 2018 | 85,525 |
| 2019 | 118,286 |
| 2020 | 121,031 |
| 2021 | – |
| Thereafter | – |

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

| | |
|--|--|
| Actuarial cost method | Entry age |
| Price inflation | 2.80 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.90 percent |
| Salary increases, including wage inflation | 3.90-10.10 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.50 percent |
| Future post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic) | 2.00 percent |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - 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.

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

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

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

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

| 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 Gov't/Credit | 0.53% | 1.57% |
| Emerging Market Bonds | 0.43% | 3.04% |
| Real Estate | 7.00% | 5.09% |
| Private Equity | 7.00% | 7.15% |
| Total | 100.00% | |

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED

Sensitivity of the District proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.5%) or 1-percentage point higher (8.5%) than the current rate:

| | 1% Decrease (6.50%) | Current Discount Rate (7.50%) | 1% Increase (8.50%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$8,998,156 | \$6,941,456 | \$5,230,665 |

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

NOTE H – POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy. The District is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. The District’s employer contributions to HCTF for the years ended June 30, 2016, 2015 and 2014 were \$19,586, \$20,453, and \$19,432, respectively, equal to the required contribution for each year.

San Miguel County School District R-2J

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE I – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has established the Self-Insurance bank account to finance its uninsured risks of loss for employee health insurance. The District purchases commercial insurance for claims in excess of coverage for health insurance. The District purchases commercial insurance for worker's compensation, general liability and property insurance. Settled claims have not exceeded this coverage in any of the past three fiscal years. No material claims payable exist as of June 30, 2016.

NOTE J – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of the Amendment. However, the District has made certain interpretations of the Amendment's language in order to determine its compliance.

NOTE K – JOINT VENTURE

The District is a member of the Uncompahgre Board of Cooperative Services (BOCS), a joint venture of several local school districts. The District's participant share is 17%. The BOCS is governed by a board formed of one board member from each member district. The participants oversee budgeting and finance. The following was extracted from the BOCS fund financial statements of June 30, 2016, and for the year then ended.

| | |
|--|------------|
| Total assets | \$ 271,203 |
| Total liabilities | 63,727 |
| Total fund equity | 207,476 |
| Total revenues | 1,048,254 |
| Total expenditures | 1,088,100 |
| Excess of revenues over (under) expenditures | (39,846) |

The District had no debt with the joint venture at June 30, 2016.

SUPPLEMENTARY INFORMATION

San Miguel County School District R-2J

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS

June 30, 2016

| | <u>Special Revenue</u> | <u>Capital Projects</u> | Total Nonmajor Governmental Funds |
|--|-------------------------|-----------------------------|--|
| | Food Service Fund | Capital Projects Fund | |
| ASSETS | | | |
| Cash and cash equivalents | \$ 28,451 | \$ 156 | \$ 28,607 |
| Inventories | 1,230 | - | 1,230 |
| Total assets | <u>\$ 29,681</u> | <u>\$ 156</u> | <u>\$ 29,837</u> |
| LIABILITIES AND FUND BALANCES | | | |
| Liabilities | | | |
| Accrued salaries and benefits | \$ 15,272 | \$ - | \$ 15,272 |
| Total liabilities | 15,272 | - | 15,272 |
| Fund balances | | | |
| Nonspendable | 1,230 | - | 1,230 |
| Assigned | | | |
| Food service | 13,179 | - | 13,179 |
| Capital projects | - | 156 | 156 |
| Total fund balances | <u>14,409</u> | <u>156</u> | <u>14,565</u> |
| Total liabilities and fund balances | <u>\$ 29,681</u> | <u>\$ 156</u> | <u>\$ 29,837</u> |

San Miguel County School District R-2J

COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS

Year ended June 30, 2016

| | Food Service Fund | Capital Projects Fund | Totals Governmental Funds |
|---|-------------------------|-----------------------------|---------------------------------|
| Revenues | | | |
| Local sources | \$ 41,928 | \$ - | \$ 41,928 |
| State sources | 3,410 | - | 3,410 |
| Federal sources | 86,587 | - | 86,587 |
| Total revenues | <u>131,925</u> | <u>-</u> | <u>131,925</u> |
| Expenditures | | | |
| Current | | | |
| Food service | 169,390 | - | 169,390 |
| Capital outlay | - | 12,575 | 12,575 |
| Total expenditures | <u>169,390</u> | <u>12,575</u> | <u>181,965</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (37,465) | (12,575) | (50,040) |
| Other financing sources (uses) | | | |
| Transfers in (out) | 44,509 | - | 44,509 |
| | <u>44,509</u> | <u>-</u> | <u>44,509</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES | 7,044 | (12,575) | (5,531) |
| Fund balances beginning of year | <u>7,365</u> | <u>12,731</u> | <u>20,096</u> |
| Fund balance end of year | <u>\$ 14,409</u> | <u>\$ 156</u> | <u>\$ 14,565</u> |

San Miguel County School District R-2J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CAPITAL PROJECTS FUND

Year ended June 30, 2016

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|---------------|--|
| Revenues | | | |
| Interest income | \$ 8 | \$ - | \$ (8) |
| Total revenues | <u>8</u> | <u>-</u> | <u>(8)</u> |
| Expenditures | | | |
| Capital outlay | 99,852 | 12,575 | 87,277 |
| Total expenditures | <u>99,852</u> | <u>12,575</u> | <u>87,277</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (99,844) | (12,575) | 87,269 |
| Fund balance beginning of year | <u>99,844</u> | <u>12,731</u> | <u>(87,113)</u> |
| Fund balance end of year | <u>\$ -</u> | <u>\$ 156</u> | <u>\$ 156</u> |

San Miguel County School District R-2J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - BOND REDEMPTION DEBT SERVICE FUND

Year ended June 30, 2016

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|--------------------|-----------------|-------------------|--|
| Revenues | | | | |
| Property and specific ownership taxes | \$ 285,632 | \$ 285,632 | \$ 291,469 | \$ 5,837 |
| Interest income | 20 | 20 | 105 | 85 |
| Total revenues | <u>285,652</u> | <u>285,652</u> | <u>291,574</u> | <u>5,922</u> |
| Expenditures | | | | |
| Debt service principal | 200,000 | 200,000 | 230,000 | (30,000) |
| Interest and fiscal charges | 85,652 | 85,652 | 37,550 | 48,102 |
| Total expenditures | <u>285,652</u> | <u>285,652</u> | <u>267,550</u> | <u>18,102</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | - | 24,024 | 24,024 |
| Fund balance beginning of year | <u>-</u> | <u>-</u> | <u>261,336</u> | <u>261,336</u> |
| Fund balance end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 285,360</u> | <u>\$ 285,360</u> |

San Miguel County School District R-2J

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - FOOD SERVICE FUND

Year ended June 30, 2016

| | Budgeted Amounts | | Actual | Variance Favorable (Unfavorable) |
|---|------------------|----------------|------------------|--|
| | Original | Final | | |
| Revenues | | | | |
| Local sources | \$ 42,700 | \$ 45,550 | \$ 41,928 | \$ (3,622) |
| State sources | 2,750 | 2,400 | 3,410 | 1,010 |
| Federal sources | 73,000 | 71,000 | 86,587 | 15,587 |
| Total revenues | <u>118,450</u> | <u>118,950</u> | <u>131,925</u> | <u>12,975</u> |
| Expenditures | | | | |
| Food service | <u>180,065</u> | <u>188,529</u> | <u>169,390</u> | <u>19,139</u> |
| Total expenses | <u>180,065</u> | <u>188,529</u> | <u>169,390</u> | <u>19,139</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENSES | (61,615) | (69,579) | (37,465) | 32,114 |
| Other financing sources (uses) | | | | |
| Transfers in | <u>44,509</u> | <u>34,134</u> | <u>44,509</u> | <u>10,375</u> |
| EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENSES AND OTHER USES | (17,106) | (35,445) | 7,044 | 42,489 |
| Fund balance beginning of year | <u>17,096</u> | <u>35,445</u> | <u>7,365</u> | <u>(28,080)</u> |
| Fund balance end of year | <u>\$ (10)</u> | <u>\$ -</u> | <u>\$ 14,409</u> | <u>\$ 14,409</u> |

San Miguel County School District R-2J

SCHEDULE OF REVENUES AND EXPENDITURES
STUDENT ACTIVITIES FUND - BUDGET AND ACTUAL

Year ended June 30, 2016

| | Original and Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|---------------------------------|-------------------|--|
| Revenues | | | |
| Local sources | \$ 200,000 | \$ 99,577 | \$ (100,423) |
| Total revenue | <u>200,000</u> | <u>99,577</u> | <u>(100,423)</u> |
| Expenditures | | | |
| Student activities | 200,000 | 100,755 | 99,245 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>\$ -</u> | <u>\$ (1,178)</u> | <u>\$ (1,178)</u> |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

| | Employer proportion of NPL | Employer proportionate share of NPL | Employer covered payroll | Employer proportionate share of NPL as a percentage of covered payroll | Pension plan's fiduciary net position as a percentage of total pension liability |
|--------------------------|----------------------------------|---|--------------------------------|--|---|
| Measurement date: | | | | | |
| December 31, 2014 | 0.046972% | \$ 6,366,224 | \$ 1,967,772 | 324% | 63% |
| December 31, 2015 | 0.045386% | 6,941,456 | 1,977,906 | 351% | 59% |

San Miguel County School District R-2J

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

| | Required employer contribution | Employer contributions recognized by the plan | Difference | Employer covered payroll | Contributions as a percentage of employer covered payroll |
|---------------|--------------------------------------|--|------------|--------------------------------|--|
| June 30, 2015 | \$ 338,564 | \$ 338,564 | \$ - | \$ 2,005,189 | 16.88% |
| June 30, 2016 | 340,402 | 340,402 | - | 1,977,906 | 17.21% |

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.

Colorado Department of Education
Auditors Integrity Report
District: 2840 - NORWOOD R-2J
Fiscal Year 2015-16
Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

| Fund Type & Number | Beg Fund Balance & Prior Per Adj (6880*) | 1000 - 5999 Total Revenues & Other Sources | 0001-0999 Total Expenditures & Other Uses | 6700-6799 & Prior Per Adj (6880*) Ending Fund Balance |
|---|--|--|---|---|
| Governmental | | | | |
| 10 General Fund | 1,355,625 | 3,674,402 | 3,534,462 | 1,495,565 |
| 18 Risk Mgmt Sub-Fund of General Fund | 0 | 0 | 0 | 0 |
| 19 Colorado Preschool Program Fund | 0 | 0 | 0 | 0 |
| Sub-Total | 1,355,625 | 3,674,402 | 3,534,462 | 1,495,565 |
| 11 Charter School Fund | 0 | 0 | 0 | 0 |
| 20 26.79 Special Revenue Fund | 0 | 0 | 0 | 0 |
| 21 Bond Service Spec Revenue Fund | 7,568 | 176,815 | 169,190 | 14,801 |
| 22 Bond Designated Purpose Grants Fund | 0 | 0 | 0 | 0 |
| 23 Public Authority Special Revenue Fund | 0 | 0 | 0 | 0 |
| 24 Full Day Kindergarten MFLC Levy Override | 0 | 0 | 0 | 0 |
| 75 Transportation Fund | 0 | 0 | 0 | 0 |
| 88 Bond Redemption Fund | 267,316 | 291,574 | 267,950 | 285,360 |
| 99 Certificate of Participation (COP) Debt Service Fund | 0 | 0 | 0 | 0 |
| 41 Building Fund | 0 | 0 | 0 | 0 |
| 42 Special Building Fund | 0 | 0 | 0 | 0 |
| 43 Capital Reserve Capital Projects Fund | 12,711 | 0 | 12,575 | 151 |
| Total | 1,637,056 | 4,142,411 | 3,983,978 | 1,795,489 |
| Proprietary | | | | |
| 50 Other Enterprise Fund | 0 | 0 | 0 | 0 |
| 61 16.51 Bus-Related Activity Fund | 0 | 0 | 0 | 0 |
| 60 65 89 Other Internal Service Funds | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Fiduciary | | | | |
| 70 Other Trust and Agency Funds | 0 | 0 | 0 | 0 |
| 72 Private Purpose Trust Fund | 0 | 0 | 0 | 0 |
| 74 Agency Fund | 0 | 0 | 0 | 0 |
| 74 Fund Activity Agency Fund | 57,954 | 99,577 | 100,254 | 56,277 |
| 79 GASB 34 Permanent Fund | 0 | 0 | 0 | 0 |
| 85 Foundations | 0 | 0 | 0 | 0 |
| Totals | 57,954 | 99,577 | 100,254 | 56,277 |
| FINAL | | | | |

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