

Julesburg School District No. RE-1
Julesburg, Colorado

Financial Statements

For the Year ended June 30, 2016



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By Justin L. Smith at 11:21 am, Dec 15, 2016

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Independent Auditors' Report

Board of Education
Julesburg School District No. RE-1
Julesburg, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Julesburg School District No. RE-1 (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and historical pension 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary 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. 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2016

**JULESBURG SCHOOL DISTRICT RE-1
Management Discussion and Analysis
For Fiscal Year Ended June 30, 2016**

This section of the Julesburg School District RE-1's annual financial report presents its discussion and analysis of the District's financial performance during the year ended June 30, 2016.

Financial Highlights

- The assets and deferred outflows of resources of Julesburg School District RE-1 exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$2,247,057 (net position).
- The district's total net position increased by \$488,031.
- General revenues accounted for \$4,971,676 or 88% of the \$5,620,618 in total revenues. Program specific revenues in the form of charges for services, sales, and grants accounted for \$648,942 or 12% of revenues.
- The general fund ending fund balance reached \$5,073,599, an increase of \$748,192 from last year.

Overview of Financial Statements

The discussion and analysis is intended to serve as an introduction to the School District's basic financial statements. A comparison to the prior year's activity is normally provided in the document. The 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 required and other supplementary information in addition to the basic financial statements.

Government-wide Statements

The Government-wide financial statements are designed to provide readers with information about the School District as a whole using accounting methods similar to those used by private-sector businesses.

The statement of net position includes all of the School District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School 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 change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and retiree's early retirement bonuses). In the government-wide financial statements, the School District's activities include the following:

- **Governmental activities:** Most of the School District's basic services are included here, such as instruction, transportation, maintenance and operations, administration and food service operations. Taxes and intergovernmental revenues principally support these activities.

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 fund financial statements provide more detailed information about the School District's operations, focusing on the most significant or "major" funds, not the School District as a whole. The School District has two kinds of funds: governmental funds and fiduciary funds.

Governmental Funds

Most of the District's basic services are included in the governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School District's program.

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

The School District maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenue, expenditures and change in fund balances for the general fund which is considered to be a major fund. Data for the other two governmental funds are combined in a single, aggregated presentation.

The basic governmental fund financial statements can be found on pages 14-17 of this report.

Fiduciary Funds

Fiduciary funds are used to count for resources held for the benefit of parties outside the school district. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School District's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on page 18 of this report.

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 may be found on pages 19-43 of this report.

Other information

In addition to the basic financial statements, this report also presents other supplementary information concerning the School District's annual appropriated budgets with budgetary comparison schedules that demonstrate compliance with budgets. Budgeted amounts may be found on pages 54-66.

Financial Analysis of the School District as a Whole

As noted earlier, net position may serve over time as a useful indicator of the School District's financial position.

42% of the School District's assets are its investment in capital assets (e.g., land, buildings and equipment). The school District uses these assets to provide instruction and related services to its students.

The following table provides a summary of the district's net position as of June 30, 2016 and 2015:

	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Current and Other assets	\$5,398,248	\$4,652,264	16.03%
Capital assets	3,289,642	3,326,909	-1.12%
Total assets	8,687,890	7,979,170	8.88%
Deferred outflows of resources	780,927	249,411	213.11%
Total assets & deferred outflows of resources	\$9,468,817	\$8,228,581	15.07%
Long term liabilities	5,793,452	5,012,353	15.58%
Other liabilities	262,071	280,724	-6.64%
Total liabilities	6,055,523	5,293,077	14.40%
Deferred inflows of resources	166,237	159,056	4.51%
Net investment in capital assets	3,289,642	3,326,906	-1.12%
Restricted	176,314	194,988	-9.58%
Unrestricted	(218,899)	(745,446)	-70.64%
Total net position	3,247,057	2,776,448	16.95%
Total liabilities, deferred inflows of resources and net position	\$9,468,817	\$8,228,581	15.07%

Following is a summary of the School District's change in net position.

Revenues	Governmental Activities		Total Percentage Change
	2016	2015	2015-2016
Program Revenues			
Charges for services	\$ 105,482	\$ 47,331	122.86%
Operating Grants & Contributions	543,460	393,936	37.96%
Capital Grants & Contributions	-	-	-
General Revenue			
Property taxes	992,791	916,978	8.27%
State equalization	3,589,031	4,294,971	-16.44%
Other	389,854	170,707	128.38%
Total Revenue	5,620,618	5,823,923	-3.49%
Expenses			
Instruction	3,375,440	3,946,921	-14.48%
Pupil & Instructional Services	486,726	464,414	4.80%
Administration & Business	480,473	717,013	-32.99%
Maintenance & Operations	323,355	222,533	45.31%
Transportation	63,356	51,432	23.18%
Other	403,237	288,375	39.83%
Total Expenses	5,132,587	5,690,688	-9.81%
Change in net position	\$ 488,031	\$ 133,235	266.29%

Governmental Activities

The primary source of operating revenue for school districts comes from the School Finance Act of 1994, as amended (SFA). Under the SFA the School District received \$8,084 per funded student. In fiscal year 2015-16 the funded pupil count was 251.6. Funding for the SFA comes from property taxes, specific ownership tax and state equalization. The School District receives approximately 78 percent of this funding from state equalization while the remaining amount comes from property taxes and specific ownership tax. The School District's assessed valuation generated \$889,726 in property taxes for fiscal year 2015-2016.

Governmental Funds

The focus of the School 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 School district's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School District's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the School District's governmental funds reported an ending fund balance of \$5,106,626, an increase of \$738,291 in comparison with the prior year.

General Fund Budget Highlights

The District’s budget is prepared according to Colorado law and is based on accounting for transactions under generally accepted accounting principles. The most significant budgeted fund is the General Fund.

There were no significant differences between final budget figures and actual budget figures that warrant any additional explanation.

Capital Assets and Debt Administration

Capital Assets

The School Districts investment in capital assets for its governmental and business type activities as of June 30, 2016 amounts to \$3,289,642 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements, equipment, construction in progress, and capital leases all with an original cost greater than \$5,000.

The School District’s total capital assets at June 30, 2016 net of accumulated depreciation were as follows:

	Governmental Activities
Land	\$ 102,520
Building Improvements	3,118,114
Equipment & Furniture	55,076
Vehicles	13,932
Total Capital Assets	<u>\$ 3,289,642</u>

Additional information on the School District’s capital assets can be found in note E to the basic financial statements.

Long-Term Debt

At year-end, the School District’s long-term debt of \$5,793,452 represented its compensated absences of \$69,230 and net pension liability of \$5,724,222.

Economic Factors

Some uncertainty clouds the prospects for the School District for the next year.

- Enrollment in the school district has steadily declined over the past several years. Projected FTE student count for FY15-16 and thereafter is projected to increase only slightly over time.

- The addition of our online school is generating additional revenue that is assisting the district in offsetting loss in revenues as a result of declining enrollment and state budget cuts. Due to numerous factors, our online school remains an unpredictable source of revenue and cannot be relied upon to meet ongoing operational costs of the school district relating to the operation of our brick and mortar schools.
- There appears to be no intent or mechanism in place for replenishing the funding rescissions made by the Colorado Legislature over the course of the last several years.

Contacting the Districts Financial Management

This financial report is designed to provide the District's citizens, taxpayers, parents, investors and creditors with a general overview of the District's finances and to demonstrate the district's accountability for the money it receives. If you have any questions about this report or need additional information, contact School District RE-1, 102 West 6th Street, Julesburg, CO 80737.

Basic Financial Statements

The basic financial statements of the District include the following:

Government-wide financial statements. The government-wide statements display information about the reporting government as a whole, except for its fiduciary activities.

Fund financial statements. The fund financial statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds.

Notes to the financial statements. The notes communicate information essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. As such, the notes are an integral part of the basic financial statements.

JULESBURG SCHOOL DISTRICT NO. RE-1
Statement of Net Position
June 30, 2016

	<u>Governmental Activities</u>
Assets	
Cash	\$ 2,131,690
Cash with fiscal agent	87,813
Investments	3,008,250
Accrued interest on investments	5,515
Receivables	161,239
Inventories	3,741
Capital assets, net of depreciation	<u>3,289,642</u>
Total assets	8,687,890
Deferred outflows of resources	
Pension deferrals	<u>780,927</u>
Total assets and deferred outflows of resources	<u>\$ 9,468,817</u>
Liabilities	
Accounts payable	\$ 16,789
Accrued salaries and benefits	245,282
Unearned other revenue	
Noncurrent liabilities	
Due within one year	12,972
Due in more than one year	<u>5,780,480</u>
Total liabilities	6,055,523
Deferred inflows of resources	
Pension deferrals	166,237
Net position	
Net investment in capital assets	3,289,642
Restricted for:	
Emergencies	158,000
Colorado preschool program	14,930
Food service operations	3,384
Unrestricted (deficit)	<u>(218,899)</u>
Total net position	<u>3,247,057</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 9,468,817</u>

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

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JULESBURG SCHOOL DISTRICT NO. RE-1
Statement of Activities
For the Year Ended June 30, 2016

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
Instruction	\$ 3,375,440	\$ 21,480	\$ 359,369	
Supporting services				
Students	382,426		2,400	
Instructional staff	104,300		44,941	
General administration	149,982			
School administration	281,520			
Business services	48,971			
Operations and maintenance	323,355			
Student transportation	63,356		11,230	
Central support services	44,351			
Food service operations	148,813	33,565	88,656	
Enterprise operations	93,520	50,437	36,864	
Unallocated depreciation *	116,553			
Total governmental activities	\$ 5,132,587	\$ 105,482	\$ 543,460	\$ -

General revenues

Taxes

Property taxes, levied for general purposes

Specific ownership taxes

Delinquent taxes and interest

State categorical aid

Earnings on investments

Other

Total general revenues

Change in net position

Net position at beginning of year,
as restated

Net position at end of year

* This amount excludes depreciation that is included in the direct expenses of the various programs.

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

Net
Governmental
Activities

\$ (2,994,591)

(380,026)

(59,359)

(149,982)

(281,520)

(48,971)

(323,355)

(52,126)

(44,351)

(26,592)

(6,219)

(116,553)

(4,483,645)

889,726

101,105

1,960

3,589,031

26,898

362,956

4,971,676

488,031

2,759,026

\$ 3,247,057

JULESBURG SCHOOL DISTRICT NO. RE-1
Balance Sheet
Governmental Funds
June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash	\$ 2,077,404	\$ 54,286	\$ 2,131,690
Cash with fiscal agent	87,813		87,813
Investments	3,008,250		3,008,250
Accrued interest on investments	5,515		5,515
Property taxes receivable	38,425		38,425
Due from other funds	1,350		1,350
Other receivables	120,499	2,315	122,814
Inventories		3,741	3,741
Total assets	\$ 5,339,256	\$ 60,342	\$ 5,399,598
Liabilities			
Accounts payable	\$ 16,375	\$ 414	\$ 16,789
Due to other funds		1,350	1,350
Accrued salaries and benefits	230,044	15,238	245,282
Accrued compensated absences	2,659	10,313	12,972
Total liabilities	249,078	27,315	276,393
Deferred inflows of resources			
Deferred property tax revenues	16,579		16,579
Total deferred inflows of resources	16,579	-	16,579
Fund balance			
Nonspendable inventories		3,741	3,741
Restricted for:			
Emergencies	158,000		158,000
Colorado preschool program	14,930		14,930
Food service operations		3,384	3,384
Committed to day care activities		25,902	25,902
Unassigned	4,900,669		4,900,669
Total fund balance	5,073,599	33,027	5,106,626
Total liabilities, deferred inflows of resources and fund balance	\$ 5,339,256	\$ 60,342	\$ 5,399,598

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

JULESBURG SCHOOL DISTRICT NO. RE-1
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 balance - governmental funds	\$ 5,106,626
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	3,289,642
Property taxes receivable will be collected in the next fiscal year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as unearned revenues in the funds.	16,579
Long-term liabilities and related deferred inflows and outflows of resources are not due and payable in the current period and therefore are not reported as liabilities in the funds.	<u>(5,165,790)</u>
Net position of the governmental activities	<u><u>\$ 3,247,057</u></u>

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Local sources	\$ 1,395,039	\$ 120,878	\$ 1,515,917
Intermediate sources	2,551		2,551
State sources	3,961,923	2,304	3,964,227
Federal sources	45,048	86,352	131,400
Total revenues	5,404,561	209,534	5,614,095
Expenditures			
Instruction	3,221,751		3,221,751
Supporting services	1,424,618	229,435	1,654,053
Total expenditures	4,646,369	229,435	4,875,804
Excess of revenues over (under) expenditures	758,192	(19,901)	738,291
Other financing sources (uses)			
Transfers in		10,000	10,000
Transfers out	(10,000)		(10,000)
Total other financing sources (uses)	(10,000)	10,000	-
Net change in fund balances	748,192	(9,901)	738,291
Fund balance at beginning of year	4,325,407	42,928	4,368,335
Fund balance at end of year	\$ 5,073,599	\$ 33,027	\$ 5,106,626

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016

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

Net change in fund balances - governmental funds	\$ 738,291
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeded capital outlay in the current period.	(37,264)
Because some property taxes will not be collected for several months after the fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, counted as deferred tax revenues. They are, however, recorded as revenues in the statement of activities.	6,523
In the statement of activities, certain operating expenses related to the pension liabilities and related deferred outflows and inflows and compensated absences, are measured by the amounts incurred or earned during the year. In the governmental funds, however, expenditures for those items are measured by the amount of financial resources used (essentially, the amounts actually paid).	<u>(219,519)</u>
Change in net position of governmental activities	<u>\$ 488,031</u>

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016

	<u>Agency Fund</u>
Assets	
Cash	\$ 68,505
Total assets	<u>\$ 68,505</u>
Liabilities	
Due to student groups	\$ 68,505
Total liabilities	<u>\$ 68,505</u>

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies

This summary of the Julesburg School District No. RE-1's significant accounting policies are presented to assist the reader in interpreting the financial statements and other data in this report. The policies are considered essential and should be read in conjunction with the accompanying financial statements.

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

A.1 – Reporting entity

The Julesburg School District No. RE-1 is a school district governed by an elected six-member board of education. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units.

The District has examined other entities that could be included as defined in number 2 and 3 above. Based on these criteria, the District has no component units.

A.2 – Fund accounting

The District uses funds to report its financial position and results of operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The district does not have any proprietary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked funds (special revenue funds), and the servicing of general long-term debt (debt service fund). The following is the District's major governmental fund:

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

General Fund – The General Fund is the operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include local property taxes, specific ownership taxes, and State of Colorado equalization funding, as determined by the School Finance Act of 1994, as amended.

Expenditures include all costs associated with the daily operation of the schools, except for certain food service operations and pupil activities.

The following are the District's nonmajor governmental funds:

Food Service Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's food service operations.

Day Care Center Fund – This fund is a special revenue fund used to account for the financial activities associated with the District's day care service operations.

Fiduciary Funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations or other governments and are therefore not available to support the District's own programs. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District has the following fiduciary fund:

Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

Note A.3 – Basis of presentation

Government-wide financial statements – The statement of net position and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government except for fiduciary funds. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanation to better identify the relationship between the government-wide statements and the statements for governmental funds.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore are clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund financial statements – Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources management focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balance, which reports the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Fiduciary funds focus on net position and changes in net position and are reported using accounting principles similar to proprietary funds. The District's fiduciary funds are presented in the fiduciary fund financial statements by type. Since by definition these assets are being held for the benefit of a third party and cannot be used to address the activities or obligations of the District, these funds are not incorporated into the government-wide financial statements.

A.4 – Basis of accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Revenues – exchange and non-exchange transactions – Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenues are recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year-end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. State equalization monies are recognized as revenues during the period in which they are appropriated. Revenues from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year-end: property taxes collected within sixty days after year-end, interest, tuition, grants and student fees.

Deferred outflows/inflows of resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Unearned revenue – Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to meeting eligibility requirements. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed and the revenue is recognized.

Expenditures – The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

A.5 – Encumbrances

Encumbrance accounting is utilized by the District to record purchase orders, contracts and other commitments for the expenditure of monies to assure effective budgetary control and accountability. Encumbrances outstanding at year-end are canceled and reappropriated in the ensuing year’s budget.

A.6 – Short-term interfund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and are classified as due from other funds or due to other funds on the balance sheet.

A.7 – Inventories

Food Service Fund – purchased inventories are stated at cost as determined by the first-in, first-out method. Commodity inventories are stated at the United States Department of Agriculture’s assigned values, which approximate fair value, at the date of receipt. Expenditures for food items are recorded when consumed. The federal government donates surplus commodities to the national school lunch program. Commodity distributions used by the District are recorded as revenues at the date of their consumption.

A.8 – Capital assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position, but are not reported in the fund financial statements.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

All capital assets with a unit cost greater than \$5,000 are capitalized at cost (or estimated historical cost, if actual cost is not available) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair value on the date received. Infrastructure assets, consisting of certain improvements other than buildings (such as parking facilities, sidewalks, landscaping and lighting systems) are capitalized along with other capital assets. Improvements to assets are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not.

All reported capital assets are depreciated with the exception of land costs. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Governmental Activities</u>
Buildings and improvements	20-50 years
Furniture and equipment	5-25 years
Licensed vehicles	7-10 years

A.9 – Compensated absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Compensated absence benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Accumulated sick leave benefits are paid to employees upon termination of employment.

Non-instructional employees earn 10 to 15 days of vacation annually. Vacation days must be used in the year they are earned or they are forfeited at the end of the year. Employees earn one day of sick leave per month up to twelve days per year. Employees with less than 4 years of service are not eligible to receive payment for any of their unused sick leave days. Employees who have completed 4 to 9 consecutive years of service are allowed to accumulate up to 60 days of unused leave, while employees who have completed 10 or more consecutive years may accumulate a maximum of 80 days. Unused sick days for employees who have completed 4 to 19 years of service will be paid at a rate of 50% of his/her current daily rate of pay, and employees with 20+ years of service will be paid at a rate of 75% of his/her current daily rate. Upon termination of employment, employees are paid for any accumulated sick leave.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts, if any, are recorded in the account “accrued compensated absences” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

The amount recorded as liabilities for all applicable compensated absences include salary-related payments associated with the payment of compensated absences, using the rates in effect at the balance sheet date.

A.10 – Accrued liabilities and long-term obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, payables and accrued liabilities that will be paid from governmental funds are reported on the governmental fund financial statements regardless of whether they will be liquidated with current resources. However, the noncurrent portion of compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they will be paid with current expendable, available financial resources.

A.11 – Fund balance reserves

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below.

Nonspendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned),

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the board of education (the District's highest level of decision-making authority),

Assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned fund balance is the residual classification for the District's general fund and includes all spendable amounts not contained in the other classifications.

Committed fund balance is established by a formal passage of a resolution. This is typically done through the adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund. Assigned fund balance is established by the board of education through adoption or amendment of the budget as intended for specific purpose (such as purchase of fixed assets, construction, debt service or for other purposes).

When both restricted and unrestricted resources are available in governmental funds, the District applies expenditures against restricted fund balance first, and followed by committed fund balance, assigned fund balance and unassigned fund balance.

A.12 – Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are liabilities imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note A – Summary of significant accounting policies (Continued)

A.13 – Interfund transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. In general, the effect of interfund activity has been eliminated from the government-wide financial statements.

A.14 – Extraordinary and special items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the board of education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the year.

Note B – Cash and investments

Cash and deposits

Colorado State statutes govern the District's deposit of cash. The Public Deposit Protection Acts (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk – deposits – Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a deposit policy for custodial credit risk. As of year-end, the District had total deposits of \$5,286,092 of which \$283,555 was insured and \$5,002,537 was collateralized with securities held by the pledging institution's trust department or agent in the District's name.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note B – Cash and investments (Continued)

Investments

Authorized investments – Investment policies are governed by Colorado State Statutes and the District’s own investment policies and procedures. Investments of the District may include:

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

At year-end, the District had only investments in certificates of deposit.

The following table provides a reconciliation of cash and investments on the statement of net position:

Cash in bank	\$ 2,200,195
Cash with fiscal agent	87,813
Certificates of deposit	<u>3,008,250</u>
Total	<u>\$ 5,296,258</u>
 <u>Statement of net position</u>	
Cash	\$ 2,131,690
Cash with fiscal agent	87,813
Investments in certificates of deposit	<u>3,008,250</u>
Subtotal	5,227,753
 <u>Statement of fiduciary net position</u>	
Cash	<u>68,505</u>
Total	<u>\$ 5,296,258</u>

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note C – Receivables

Receivables at year-end consist of the following:

	<u>Governmental Activities</u>
Property taxes receivable	\$ 38,425
Other receivables	<u>122,814</u>
Total	<u>\$ 161,239</u>

Property taxes are levied on December 15th and attach as a lien on property the following January 1st. They are payable in full by April 30th or are due in two equal installments on February 28th and June 15th. Sedgwick County bills and collects property taxes for all taxing entities within the County. The tax receipts collected by the county are remitted to the District in the subsequent month.

Note D – Interfund transactions

The following is a summary of interfund borrowings and transfers for the year as presented in the fund financial statements:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<u>Governmental funds</u>		
General fund	\$ 1,350	\$ -
Other governmental funds	<u>-</u>	<u>1,350</u>
Total	<u>\$ 1,350</u>	<u>\$ 1,350</u>

All balances resulted from the time lag between the dates that (1) interfund reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Governmental Funds</u>		
General Fund	\$ -	\$ 10,000
Other governmental funds	<u>10,000</u>	<u>-</u>
Total	<u>\$ 10,000</u>	<u>\$ 10,000</u>

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. During the year, the District transferred funds in the amount of \$10,000 from the General Fund to the other governmental funds to subsidize the costs of maintaining the District's food service operations.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note E – Capital assets

Capital asset activity for the year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions/ Transfers</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 102,520	\$ -	\$ -	\$ 102,520
Total capital assets, not being depreciated	102,520	-	-	102,520
Capital assets, being depreciated:				
Buildings and improvements	6,347,960	86,324	-	6,434,284
Furniture and equipment	314,444	5,500	-	319,944
Licensed vehicles	<u>329,555</u>	<u>-</u>	<u>-</u>	<u>329,555</u>
Total capital assets, being depreciated	<u>6,991,959</u>	<u>91,824</u>	<u>-</u>	<u>7,083,783</u>
Total capital assets	7,094,479	91,824	-	7,186,303
Less accumulated depreciation for:				
Buildings and improvements	(3,202,721)	(113,449)	-	(3,316,170)
Furniture and equipment	(253,608)	(11,260)	-	(264,868)
Licensed vehicles	<u>(311,244)</u>	<u>(4,379)</u>	<u>-</u>	<u>(315,623)</u>
Total accumulated depreciation	<u>(3,767,573)</u>	<u>(129,088)</u>	<u>-</u>	<u>(3,896,661)</u>
Governmental activities capital assets, net	<u>\$ 3,326,906</u>	<u>\$ (37,264)</u>	<u>\$ -</u>	<u>\$ 3,289,642</u>

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

Governmental activities	
Operations and maintenance	\$ 7,843
Transportation	4,379
Food service operations	313
Unallocated	<u>116,553</u>
Total	<u>\$ 129,088</u>

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note F – Accrued salaries and benefits

Salaries and 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. The salaries and benefits earned but not paid at year-end are estimated to be \$245,282. Accordingly, this accrued compensation is reflected as a liability in the accompanying financial statements.

Note G – Long-term debt

The following is a summary of the changes in long-term debt for the year:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balances</u>	<u>Due within one year</u>
Governmental Activities					
Compensated absences	\$ 73,617	\$ -	\$ (4,387)	\$ 69,230	\$ 12,972
Net pension liability	<u>4,938,736</u>	<u>785,486</u>	<u>-</u>	<u>5,724,222</u>	<u>-</u>
Total	<u>\$ 5,012,353</u>	<u>\$ 785,486</u>	<u>\$ (4,387)</u>	<u>\$ 5,793,452</u>	<u>\$ 12,972</u>

The compensated absences and net pension liability attributable to the governmental activities will be liquidated primarily by the General Fund. The District believes that the current portion of compensated absences is negligible and is therefore not reported.

Note H – Defined benefit pension plan

Summary of significant accounting policies

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.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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. Section 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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. Section 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

	For the Year Ended December 31, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the health care trust fund as specified in C.R.S. Section 24-51-208(1)(f)	<u>(1.02)%</u>	<u>(1.02)%</u>
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. Section 24-51-411	4.20%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. Section 24-51-411	<u>4.00%</u>	<u>4.50%</u>
Total employer contribution rate to the SCHDTF	<u><u>17.33%</u></u>	<u><u>18.13%</u></u>

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 \$306,728 for the year ended.

Pension liabilities, pension expense, and deferred outflows of resources and deferred inflows of resources related to pensions

At year-end, the District reported a liability of \$5,724,222 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 0.0374 percent, which was an increase of 0.0007 percent from its proportion measured as of December 31, 2014.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

For the year ended June 30, 2016, the District recognized pension expense of \$523,219. At year-end, 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	\$ 75,589	\$ 238
Changes of assumptions or other inputs	-	80,893
Net difference between projected and actual earnings on pension plan investments	486,719	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	62,643	85,106
Contributions subsequent to the measurement date	<u>155,976</u>	<u>-</u>
Total	<u>\$ 780,927</u>	<u>\$ 166,237</u>

\$155,976 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 subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30, _____</u>	<u>Amount</u>
2017	\$ 100,488
2018	115,548
2019	142,871
2020	<u>99,807</u>
Totals	<u>\$ 458,714</u>

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

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

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

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

- 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.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

The following methodology changes were made:

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. equity – large cap	26.76%	5.00%
U.S. equity – small cap	4.40%	5.19%
Non U.S. equity – developed	22.06%	5.29%
Non U.S. equity – emerging	6.24%	6.76%
Core fixed income	24.05%	0.98%
High yield	1.53%	2.64%
Long duration government credit	0.53%	1.57%
Emerging market bonds	0.43%	3.04%
Real estate	7.00%	5.09%
Private equity	<u>7.00%</u>	7.15%
 Total	 <u>100.00%</u>	

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

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

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note H – Defined benefit pension plan (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease <u>(6.50%)</u>	Current Discount <u>(7.50%)</u>	1% Increase <u>(8.50%)</u>
Proportionate share of the net pension liability	\$ <u>7,420,265</u>	\$ <u>5,724,222</u>	\$ <u>4,313,431</u>

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

Payables to the pension plan

The District did not report any payables to the pension plan at year-end.

Note I – Defined contribution pension plan

Voluntary Investment Program

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

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note I – Defined contribution pension plan (Continued)

Funding policy. The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The District does not offer matching contributions to its employees. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2016, program members contributed \$16,273 for the Voluntary Investment Program.

Note J – Other postemployment benefits

Health Care Trust Fund

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

Funding policy. The District is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the fiscal years ended June 30, 2016, 2015 and 2014, the District's contributions to the HCTF were \$16,994, \$14,918 and \$15,304, respectively, equal to their required contributions for each year.

Note K – Risk management

Colorado School Districts Self-Insurance Pool

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 participates in the Colorado School Districts Self-Insurance Pool (the Pool). The Pool's objectives are to provide member school districts defined property and liability coverages through self-insurance and excess insurance purchased from commercial companies. The District pays an annual contribution to the Pool for its insurance coverages. The District's contribution for the year was \$30,140. The District continues to

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note K – Risk management

carry commercial insurance for all other risks of loss, including workers' compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage or the deductible in any of the past three fiscal years. There has been no significant reduction in insurance coverage from the prior year in any of the major categories of risk.

BEST Health Plan

The District joined the Colorado Boards of Education Self-Funded Trust (BEST) in 2012. This partially self-funded trust was established in 2004 to offer a stable, long term, statewide medical program designed to meet the business objective and challenges of school districts. Medical coverage for the District employees is purchased through the trust.

The District pays a monthly premium to BEST to provide health insurance coverage and services for its plan members. Employees are responsible for paying a deductible amount before the plan begins to pay. The individual deductible amount for fiscal year 2016 was \$3,500. There is no lifetime maximum benefit for our plan members.

Because there is the potential to incur high cost medical claims, BEST purchases stop-loss coverage to cover claims that exceed its deductible limit, which is currently \$50,000. Each year, the deductible limit is reviewed based on actuarial analysis to determine if paying an additional premium would increase or reduce the ultimate cost of risk to the District. As members of the BEST Health Plan, the District also purchases prescription coverage through the pool.

Note L – Commitments and contingencies

Federal and state funding

The District receives revenues from various federal and state grant programs which are subject to final review and approval by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

Budget law

Expenditures in the Food Service Fund and Day Care Center Fund exceeded appropriations by \$6,823 and \$20,045, respectively, and may be in violation of Colorado Local Government Budget Laws.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note L – Commitments and contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed an amendment, commonly known as the Taxpayer's Bill of Rights (TABOR), to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and "fiscal year spending" include allowable annual increases tied to inflation and local growth in student enrollment. Fiscal year spending as defined by the amendment excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage awards, and fund reserves (balances). The amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the "spending limit" must be refunded or approved to be retained by the District under specified voting requirements by the entire electorate. In November 1996, the voters of the District approved a ballot initiative permitting the District to retain, appropriate, and utilize, by retention for reserve, carryover fund balance, or expenditure, the full proceeds and revenues received from every source whatsoever, without limitation, in this fiscal year and all subsequent fiscal years notwithstanding any limitation of Article X, Section 20 of the Colorado Constitution. TABOR is complex and subject to judicial interpretation. The District believes it is in compliance with the requirements of TABOR. However, the District has made certain interpretations of TABOR's language in order to determine its compliance. The District has reserved funds in the General Fund in the amount of \$158,000 for the emergency reserve.

Note M – Joint venture

The District participates in the Northeast Colorado Board of Cooperative Educational Services (BOCES). This joint venture does not meet the criteria for inclusion within the reporting entity because the BOCES:

- is financially independent and responsible for its own financing deficits and entitled to its own surpluses,
- has a separate governing board from that of the District,
- has a separate management which is responsible for the day to day operations and is accountable to the separate board,
- governing board and management have the ability to significantly influence operations by approving budgetary requests and adjustments, signing contracts, hiring personnel, exercising control over facilities and determining the outcome or disposition of matters affecting the recipients of services provided, and
- has absolute authority over all funds and fiscal responsibility including budgetary responsibility and reporting to state agencies and controls fiscal management.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to Financial Statements

Note M – Joint venture (Continued)

The District has one member on the board. This board has final authority for all budgeting and financing of the joint venture.

Separate financial statements of the Northeast Colorado Board of Educational Services are available by contacting their administrative office in Haxtun, Colorado.

For the year, the District's financial contribution was \$111,707.

Note N – Restatement of Beginning Net Position

The District previously reported the activity of the Day Care Center Fund in a proprietary fund. Beginning in fiscal year 2015-2016, such activity has been more appropriately reported in a special revenue fund. Accordingly, the newly established special revenue fund reports a restated beginning balance of \$27,237, which is equal to the net current assets and current liabilities previously reported in the proprietary fund. All remaining assets and liabilities, including a deficit net fund balance of \$44,659, previously reported in the proprietary fund are not recognized at the fund level under modified accrual, and have been reclassified as assets and liabilities of its governmental activities as of June 30, 2015.

	<u>Governmental Activities</u>
Beginning net position, as originally reported	\$ 2,776,448
Day Care Center fund reclassification	<u>(17,422)</u>
Beginning net position, as restated	<u>\$ 2,759,026</u>

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Required Supplementary Information

Required supplementary information includes financial information and disclosures that are required by the Governmental Accounting Standards Board but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of the District's Proportionate Share of the Net Pension Liability
- Schedule of District Contributions

JULESBURG SCHOOL DISTRICT NO. RE-1
General Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 1,069,357	\$ 1,227,595	\$ 1,395,039	\$ 167,444
Intermediate sources	1,500	1,500	2,551	1,051
State sources	4,733,950	3,914,899	3,961,923	47,024
Federal sources	119,738	44,000	45,048	1,048
Total revenues	5,924,545	5,187,994	5,404,561	216,567
Expenditures				
Instruction	3,150,086	3,192,424	3,221,751	(29,327)
Supporting services	2,197,139	1,546,324	1,424,618	121,706
Appropriated reserves	4,762,320	4,659,246		4,659,246
Total expenditures	10,109,545	9,397,994	4,646,369	4,751,625
Excess of revenues over (under) expenditures	(4,185,000)	(4,210,000)	758,192	4,968,192
Other financing uses				
Transfers out	(15,000)	(90,000)	(10,000)	80,000
Net change in fund balance	<u>\$ (4,200,000)</u>	<u>\$ (4,300,000)</u>	748,192	<u>\$ 5,048,192</u>
Fund balance at beginning of year			4,325,407	
Fund balance at end of year			<u>\$ 5,073,599</u>	

JULESBURG SCHOOL DISTRICT NO. RE-1
Schedule of the District's Proportionate Share of the Net Pension Liability ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
District's proportion of the net pension liability	0.0374271744%	0.0367748598%
District's proportionate share of the net pension liability	\$ 5,724,222	\$ 4,984,228
District's covered-employee payroll	\$ 1,636,031	\$ 1,462,566
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	349.88%	340.79%
Plan fiduciary net position as a percentage of the total pension liability	59.20%	62.84%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

JULESBURG SCHOOL DISTRICT NO. RE-1
Schedule of District Contributions ¹
June 30, 2016

	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution	\$ 306,728	\$ 262,504
Contributions in relation to the contractually required contribution	<u>(306,728)</u>	<u>(262,504)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 1,636,031	\$ 1,462,566
Contributions as a percentage of covered-employee payroll	18.75%	17.95%

¹ Information is not available prior to June 30, 2015. In future reports, additional years will be added until 10 years of historical data are presented.

JULESBURG SCHOOL DISTRICT NO. RE-1
Notes to the Required Supplementary Information

Note A – Budgetary data

The District adheres to the following procedures in compliance with Colorado Revised Statutes, establishing the budgetary data in the financial statements:

1. Budgets are required by state law for all funds. Prior to May 31, the superintendent of schools 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.
2. Public hearings are conducted by the board of education to obtain taxpayer comments.
3. Prior to June 30, the budget is adopted by formal resolution.
4. Prior to January 31, the board of education submits its adopted annual budget to the department of education.
5. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and reallocation of budget line items within any department in the General Fund rests with the superintendent of schools. Revisions that alter the total expenditures of any fund must be approved by the board of education.
6. Budgets for all funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
7. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the board of education throughout the year. After budget approval, the District board of education may approve supplemental appropriations if an occurrence, condition, or need exists which was not known at the time the budget was adopted. Supplemental appropriations were made during the year.
8. Appropriations lapse at year-end.

Note B – Factors affecting trends in amounts reported in the pension schedules

Information about factors that significantly affect trends in the amounts reported in the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Other Supplementary Information

Other supplementary information includes financial statements and schedules that are not required by the Governmental Accounting Standards Board, not a part of the basic financial statements, but are presented for purposes of additional analysis.

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Budgetary Comparison Schedules – General Fund

The General Fund accounts for all transactions of the District not required to be accounted for in other funds. This fund represents an accounting of the District's ordinary operations financed primarily from property and specific ownership taxes and state aid. It is the most significant fund in relation to the District's overall operations. The schedules of revenues and expenditures are included to provide a greater level of detail to the reader of the financial statements.

JULESBURG SCHOOL DISTRICT NO. RE-1
General Fund
Budgetary Comparison Schedule - Revenues
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources				
Property taxes	\$ 813,323	\$ 891,548	\$ 883,203	\$ (8,345)
Specific ownership taxes	111,080	96,747	101,105	4,358
Delinquent taxes and interest	2,300	2,300	1,960	(340)
Tuition	16,000	17,000	21,480	4,480
Earnings on investments	12,000	21,000	26,886	5,886
Other local sources	114,654	199,000	360,405	161,405
Total local sources	1,069,357	1,227,595	1,395,039	167,444
Intermediate sources	1,500	1,500	2,551	1,051
State sources				
Equalization	4,575,608	3,580,000	3,589,031	9,031
ELPA professional development		4,260	4,260	-
English language proficiency		2,855	2,855	-
Transportation	11,000	11,000	11,230	230
READ Act		6,300	6,341	41
State grants to libraries		3,500	3,500	-
Small rural schools funding		165,000	165,765	765
Additional at-risk funding		4,700	4,761	61
Services within the BOCES	147,342	137,284	174,180	36,896
Total state sources	4,733,950	3,914,899	3,961,923	47,024
Federal sources				
Title IV, Part A			1,399	1,399
Title III, Part A			740	740
Early childhood readiness			188	188
REAP	75,738			-
Services within the BOCES	44,000	44,000	42,721	(1,279)
Total federal sources	119,738	44,000	45,048	1,048
Total revenues	\$ 5,924,545	\$ 5,187,994	\$ 5,404,561	\$ 216,567

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JULESBURG SCHOOL DISTRICT NO. RE-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Expenditures				
Instruction				
Salaries	\$ 1,912,496	\$ 1,988,474	\$ 1,966,519	\$ 21,955
Employee benefits	510,995	520,949	521,256	(307)
Purchased services	478,099	491,774	468,993	22,781
Supplies and materials	203,971	155,001	232,673	(77,672)
Property	38,503	30,204	26,119	4,085
Other	6,022	6,022	6,191	(169)
Total instruction	3,150,086	3,192,424	3,221,751	(29,327)
Supporting services				
Students				
Salaries	298,554	295,699	295,566	133
Employee benefits	63,305	63,798	62,562	1,236
Purchased services	100	100	115	(15)
Supplies and materials	800	800	1,539	(739)
Total students	362,759	360,397	359,782	615
Instructional staff				
Salaries	55,810	59,100	58,944	156
Employee benefits	18,985	20,678	20,436	242
Purchased services	3,600	3,600	7,050	(3,450)
Supplies and materials	16,494	16,794	13,354	3,440
Total instructional staff	94,889	100,172	99,784	388
General administration				
Salaries	64,402	64,402	64,672	(270)
Employee benefits	23,940	23,940	23,843	97
Purchased services	61,960	83,960	47,921	36,039
Supplies and materials	6,000	6,000	3,581	2,419
Property	3,560	3,560	405	3,155
Other	7,977	7,977	4,605	3,372
Total general administration	167,839	189,839	145,027	44,812

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
School administration				
Salaries	178,335	175,835	175,801	34
Employee benefits	43,299	42,754	42,584	170
Purchased services	846,579	48,032	49,236	(1,204)
Supplies and materials	11,489	1,110	430	680
Property	4,650			-
Other	1,890	1,890		1,890
Total school administration	1,086,242	269,621	268,051	1,570
Business services				
Salaries	42,920	36,205	36,202	3
Employee benefits	15,014	13,570	7,278	6,292
Other			2,717	(2,717)
Total business services	57,934	49,775	46,197	3,578
Operations and maintenance				
Salaries	82,664	83,800	83,492	308
Employee benefits	14,515	20,165	20,121	44
Purchased services	40,125	95,125	86,915	8,210
Supplies and materials	145,000	229,000	202,912	26,088
Property	20,000	20,000	7,499	12,501
Total operations and maintenance	302,304	448,090	400,939	47,151
Student transportation				
Salaries	19,538	28,460	28,470	(10)
Employee benefits	3,967	5,689	5,594	95
Purchased services	17,600	17,600	5,486	12,114
Supplies and materials	20,000	20,000	15,784	4,216
Property	3,000	3,000	1,462	1,538
Total student transportation	64,105	74,749	56,796	17,953

(Continued)

JULESBURG SCHOOL DISTRICT NO. RE-1
General Fund
Budgetary Comparison Schedule - Expenditures
For the Year Ended June 30, 2016

(Continued)	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Central support services				
Purchased services	57,386	50,000	44,351	5,649
Total central support services	57,386	50,000	44,351	5,649
Food service operations				
Salaries	3,040	3,040	3,072	(32)
Employee benefits	641	641	619	22
Total food service operations	3,681	3,681	3,691	(10)
Total supporting services	2,197,139	1,546,324	1,424,618	121,706
Appropriated reserves	4,762,320	4,659,246		4,659,246
Total expenditures	<u>\$ 10,109,545</u>	<u>\$ 9,397,994</u>	<u>\$ 4,646,369</u>	<u>\$ 4,751,625</u>

**Combining Statements and Budgetary Comparison Schedules –
Nonmajor Governmental Funds**

The District reports the following nonmajor governmental funds:

Special Revenue Funds – These funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

- Food Service Fund – This fund is used to record financial transactions related to the District's food service operations.
- Day Care Center Fund – This fund is used to account for the financial activities associated with the District's day care service operations.

JULESBURG SCHOOL DISTRICT NO. RE-1
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Food Service Fund	Day Care Center Fund	Totals
Assets			
Cash	\$ 21,558	\$ 32,728	\$ 54,286
Other receivables		2,315	2,315
Inventories	3,741		3,741
Total assets	\$ 25,299	\$ 35,043	\$ 60,342
Liabilities			
Accounts payable		\$ 414	\$ 414
Due to other funds	\$ 540	810	1,350
Accrued salaries and benefits	7,321	7,917	15,238
Accrued compensated absences	10,313		10,313
Total liabilities	18,174	9,141	27,315
Fund balance			
Nonspendable inventories	3,741		3,741
Restricted for food service operations	3,384		3,384
Committed to day care activities		25,902	25,902
Total fund balance	7,125	25,902	33,027
Total liabilities and fund balance	\$ 25,299	\$ 35,043	\$ 60,342

JULESBURG SCHOOL DISTRICT NO. RE-1
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2016

	Food Service Fund	Day Care Center Fund	Totals
Revenues			
Local sources	\$ 33,568	\$ 87,310	\$ 120,878
State sources	2,304		2,304
Federal sources	86,352		86,352
Total revenues	122,224	87,310	209,534
Expenditures			
Supporting services	140,790	88,645	229,435
Total expenditures	140,790	88,645	229,435
Excess of revenues over (under) expenditures	(18,566)	(1,335)	(19,901)
Other financing sources			
Transfers in	10,000		10,000
Net change in fund balances	(8,566)	(1,335)	(9,901)
Fund balance at beginning of year	15,691	27,237	42,928
Fund balance at end of year	\$ 7,125	\$ 25,902	\$ 33,027

JULESBURG SCHOOL DISTRICT NO. RE-1
Food Service Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 29,410	\$ 29,410	\$ 33,568	\$ 4,158
State sources	2,600	2,600	2,304	(296)
Federal sources	69,957	69,957	86,352	16,395
Total revenues	101,967	101,967	122,224	20,257
Expenditures				
Supporting services				
Salaries and benefits	57,376	57,376	69,242	(11,866)
Purchased services	1,450	1,450	194	1,256
Supplies and materials	74,241	74,241	71,312	2,929
Property	900	900	42	858
Total expenditures	133,967	133,967	140,790	(6,823)
Excess of revenues over (under) expenditures	(32,000)	(32,000)	(18,566)	27,080
Other financing sources				
Transfers in	15,000	15,000	10,000	(5,000)
Net change in fund balance	\$ (17,000)	\$ (17,000)	(8,566)	\$ 8,434
Fund balance at beginning of year			15,691	
Fund balance at end of year			\$ 7,125	

JULESBURG SCHOOL DISTRICT NO. RE-1
Day Care Center Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Revenues				
Local sources	\$ 31,600	\$ 31,600	\$ 87,310	\$ 55,710
Total revenues	31,600	31,600	87,310	55,710
Expenditures				
Supporting services				
Salaries and benefits	48,040	48,040	75,911	(27,871)
Purchased services	2,200	2,200	824	1,376
Supplies and materials	11,000	11,000	10,214	786
Property	1,000	1,000	1,308	(308)
Other	6,360	6,360	388	5,972
Total expenditures	68,600	68,600	88,645	(20,045)
Excess of revenues over (under) expenditures	\$ (37,000)	\$ (37,000)	(1,335)	\$ 75,755
Fund balance at beginning of year			27,237	
Fund balance at end of year			\$ 25,902	

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Budgetary Comparison Schedule – Fiduciary Fund

These funds focus on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds.

Agency funds – These funds are used to report resources held by the District in a purely custodial capacity (assets equal liabilities). These funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

- Pupil Activity Agency Fund – This fund is an agency fund used to record transactions related to school-sponsored pupil organizations and activities.

JULESBURG SCHOOL DISTRICT NO. RE-1
Pupil Activity Agency Fund
Budgetary Comparison Schedule
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Favorable (Unfavorable)
	Original	Final		
Additions				
Fundraising and other events	\$ 68,000	\$ 68,000	\$ 129,651	\$ 61,651
Deductions				
Pupil activity expenditures	79,000	79,000	132,306	(53,306)
Appropriated reserves	71,000	71,000		71,000
Total deductions	150,000	150,000	132,306	17,694
Excess of additions over (under) deductions	\$ (82,000)	\$ (82,000)	(2,655)	\$ 79,345
Due to student groups at beginning of year			71,160	
Due to student groups at end of year			\$ 68,505	

**Colorado Department of Education
Supplementary Schedule**

Auditors' integrity report – This fiscal-year report is required by the Colorado Department of Education to maintain statewide consistency in financial reporting. This report is also used to gather financial data that could affect future state funding.

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Independent Auditors' Report on Auditors' Integrity Report

Board of Education
Julesburg School District No. RE-1
Julesburg, Colorado

We have audited the basic financial statements of the Julesburg School District No. RE-1 (the District) as of and for the year ended June 30, 2016, and our report thereon dated November 30, 2016, which expressed an unmodified opinion on those financial statements, appears on pages 1-2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The Auditors' Integrity Report is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with 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 financial statements as a whole.

Lauer, Szabo & Associates, P.C.

Sterling, Colorado
November 30, 2016



Colorado Department of Education
Auditor's Integrity Report
 District 2062 - JULESBURG RE-1
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	1000 - 9999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental			
16 Government Fund	3,321,407	4,441,100	5,073,599
18 Area Maint Sub-Fund of General Fund	0	0	0
19 Colorado Preschool Program Fund	0	0	0
Non-Fund			
11 Charter School Fund	4,441,107	4,441,107	5,073,599
20-25-26 Special Revenue Fund	0	0	0
21 Food Service Spec Revenue Fund	27,437	28,625	25,902
22 Govt Designated-Purpose Grants Fund	15,591	140,791	7,125
23 Pupil Activity Special Revenue Fund	0	0	0
24 Full Day Kindergarten Mktg Levy Overate	0	0	0
25 Transportation Fund	0	0	0
31 Bond Redemption Fund	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0
41 Building Fund	0	0	0
42 Special Building Fund	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0
Totals	4,366,225	4,671,825	5,106,423
Proprietary			
50 Other Enterprise Funds	0	0	0
64-65 Industrial Activity Fund	0	0	0
66-69 Other Industrial Service Funds	0	0	0
Totals	0	0	0
Fiduciary			
70 Other Trust and Agency Funds	0	0	0
72 Private Purpose Trust Fund	0	0	0
73 Agency Fund	0	0	0
74 Pupil Activity Agency Fund	71,160	120,366	68,505
79 CASE Permanent Fund	0	0	0
85 Foundations	0	0	0
Totals	71,160	120,366	68,505
FINAL			
	4,366,225	4,671,825	5,106,423

*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.