

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

FINANCIAL STATEMENTS

June 30, 2017

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

ROSTER OF SCHOOL OFFICIALS

June 30, 2017

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

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

Other Matters (Other Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The supplementary information and the auditors integrity report listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2017, on our consideration of the Salida School District Number R-32-J's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salida School District Number R-32-J's internal control over financial reporting and compliance.



December 20, 2017

Salida School District R-32-J

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2017

As management of Salida School District R-32-J (the "District") we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of District for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

For the year ended June 30, 2017 the General Fund balance increased by \$442,980.

The General Fund operations of the District are funded primarily by tax revenue received under the State School Finance Act (the Act) in the amount of \$10,734,654 and total revenue for the year was \$11,647,131.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The basic statements are comprised of three components:

1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Notes to Financial Statements

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

Government-wide Financial Analysis

For the year ended June 30, 2017 the District's net position is \$1,555,704. The negative unrestricted net position of (\$24,591,850) is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$44,781,859, representing the District's proportionate share of PERA's net pension liability. The District's net investment in capital assets is \$23,412,533. In addition, \$286,451 is restricted for Colorado Preschool and Salida Head Start; \$1,765,257 is restricted for debt service; \$333,313 is restricted for Capital Renewal; and \$350,000 is restricted for emergencies under TABOR.

Statement of Net Position

	GOVERNMENTAL ACTIVITIES	
	<u>2015-2016</u>	<u>2016-2017</u>
ASSETS		
Current Assets	\$ 8,100,340	\$ 8,043,269
Capital Assets, Net of Accumulated Depreciation	<u>48,212,580</u>	<u>47,623,476</u>
TOTAL ASSETS	<u>56,312,920</u>	<u>55,666,745</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>3,141,396</u>	<u>17,450,969</u>
LIABILITIES		
Current Liabilities	1,113,959	1,138,635
Noncurrent Liabilities	<u>50,039,037</u>	<u>69,529,768</u>
TOTAL LIABILITIES	<u>51,169,996</u>	<u>70,668,403</u>
DEFERRED INFLOWS OF RESOURCES	<u>630,275</u>	<u>893,607</u>
NET POSITION		
Net Investment in Capital Assets	22,789,512	23,412,533
Restricted	2,745,661	2,735,021
Unrestricted	<u>(17,881,128)</u>	<u>(24,591,850)</u>
TOTAL NET POSITION	<u>\$ 7,654,045</u>	<u>\$ 1,555,704</u>

Governmental activities decreased the District's net position by \$6,098,341, due primarily to PERA pension related items.

GOVERNMENTAL

	ACTIVITIES	
	2015-2016	2016-2017
Program revenues:		
Charges for service	\$ 158,774	\$ 166,838
Operating grants & contributions	2,273,771	2,305,724
Capital Grants & contributions	276,332	16,650
General revenues:		
Property Taxes	7,017,799	6,879,858
Specific ownership taxes	788,829	846,551
State equalization	4,833,337	5,055,058
Other revenues	401,965	325,541
Earnings on Investments	14,369	35,150
TOTAL REVENUES	<u>15,765,176</u>	<u>15,631,370</u>
Expenses:		
Instruction	7,364,558	12,392,552
Supporting Services	7,028,065	7,807,704
Food Service	495,599	649,411
Interest and Fiscal Charges	926,767	880,044
TOTAL EXPENSES	<u>15,814,989</u>	<u>21,729,711</u>
CHANGE IN NET POSITION	(49,813)	(6,098,341)
NET POSITION, Beginning	<u>7,703,858</u>	<u>7,654,045</u>
NET POSITION, Ending	<u>\$ 7,654,045</u>	<u>\$ 1,555,704</u>

Financial Analysis of the District's Funds

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

As of the end of the current fiscal year the District's governmental funds reported a combined ending fund balance of \$6,762,489: General Fund \$4,287,278; Bond Redemption Fund \$1,770,915; and Other Governmental Funds \$704,296. This is an increase of \$49,196 from the previous fiscal year primarily from an increase in local and state revenues and a decrease in building expenditures.

General Fund Budgetary Highlights

General Fund revenues budgeted were \$11,815,458 and actual revenues were \$11,647,131. The District budgeted for General Fund expenditures of \$14,465,750, for the year ended June 30, 2017. Actual expenditures were \$10,419,413. The differences between the original and final budgets were to adjust for the changes in total instructional costs net of reserves and an increase to local revenues. The District ended the year with an increase in the General Fund balance of \$442,980.

Capital Assets and Long-Term Debt

For the year ended June 30, 2017, the District's significant capital asset activity included the purchase of two buses, parking lot light upgrades, Longfellow Elementary fencing, replacing two servers, High School gym blinds, Middle School carpet replacement and fire alarm upgrade, as well as the purchase of land for the new bus building.

As of June 30, 2017, the District had total long-term debt of \$24,747,909, a decrease of \$1,512,887 from the previous year.

Please see Notes 4 and 5 in the financial statements for more information on capital assets and long-term debt.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the District is student enrollment. This factor was considered in preparing the District's budget for fiscal year 2017-2018.

Requests for Information

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

BASIC FINANCIAL STATEMENTS

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 7,204,970
Accounts Receivable	19,787
Taxes Receivable	585,348
Grants Receivable	94,851
Inventories	5,030
Property Held for Resale	133,283
Capital Assets, Not Being Depreciated	776,030
Capital Assets, Net of Accumulated Depreciation	<u>46,847,446</u>
TOTAL ASSETS	<u>55,666,745</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Debt Refunding, Net of Accumulated Amortization	26,957
Pensions, Net of Accumulated Amortization	<u>17,424,012</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>17,450,969</u>
LIABILITIES	
Accounts Payable	22,289
Accrued Salaries and Benefits	987,564
Unearned Revenues	57,389
Accrued Interest Payable	71,393
Noncurrent Liabilities	
Due Within One Year	1,393,543
Due in More Than One Year	23,354,366
Net Pension Liability	<u>44,781,859</u>
TOTAL LIABILITIES	<u>70,668,403</u>
DEFERRED INFLOWS OF RESOURCES	
Pensions, Net of Accumulated Amortization	<u>893,607</u>
NET POSITION	
Net Investment in Capital Assets	23,412,533
Restricted for Emergencies	350,000
Restricted for Preschool	51,493
Restricted for Capital Renewal	333,313
Restricted for Debt Service	1,765,257
Restricted for Head Start	234,958
Unrestricted	<u>(24,591,850)</u>
TOTAL NET POSITION	<u>\$ 1,555,704</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES</u>
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 12,392,552	\$ 24,300	\$ 1,110,752	\$ -	\$ (11,257,500)
Supporting Services	7,807,704	-	965,977	16,650	(6,825,077)
Food Service	649,411	142,538	228,995	-	(277,878)
Interest and Fiscal Charges	880,044	-	-	-	(880,044)
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 21,729,711</u>	<u>\$ 166,838</u>	<u>\$ 2,305,724</u>	<u>\$ 16,650</u>	<u>(19,240,499)</u>
		GENERAL REVENUES			
					6,879,858
					846,551
					5,055,058
					83,740
					35,150
					241,801
					<u>13,142,158</u>
					<u>(6,098,341)</u>
					<u>7,654,045</u>
					<u>\$ 1,555,704</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL	BOND REDEMPTION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
ASSETS				
Cash and Investments	\$ 4,846,352	\$ 1,656,460	\$ 702,158	\$ 7,204,970
Accounts Receivable	19,787	-	-	19,787
Taxes Receivable	405,158	180,190	-	585,348
Grants Receivable	53,656	-	41,195	94,851
Inventories	-	-	5,030	5,030
Property Held for Resale	133,283	-	-	133,283
TOTAL ASSETS	<u>\$ 5,458,236</u>	<u>\$ 1,836,650</u>	<u>\$ 748,383</u>	<u>\$ 8,043,269</u>
LIABILITIES				
Accounts Payable	\$ 22,289	\$ -	\$ -	\$ 22,289
Accrued Salaries and Benefits	944,280	-	43,284	987,564
Unearned Revenues	56,586	-	803	57,389
TOTAL LIABILITIES	<u>1,023,155</u>	<u>-</u>	<u>44,087</u>	<u>1,067,242</u>
DEFERRED INFLOWS OF RESOURCES				
Property Taxes	147,803	65,735	-	213,538
FUND BALANCES				
Nonspendable Inventories	-	-	5,030	5,030
Nonspendable Property Held for Resale	133,283	-	-	133,283
Restricted for Emergencies	350,000	-	-	350,000
Restricted for Preschool	51,493	-	-	51,493
Restricted for Capital Renewal	-	-	333,313	333,313
Restricted for Debt Service	-	1,770,915	-	1,770,915
Restricted for Head Start	-	-	234,958	234,958
Assigned to Grant Programs	-	-	46,006	46,006
Assigned to Food Service	-	-	32,107	32,107
Assigned to Capital Projects	-	-	52,882	52,882
Unrestricted, Unassigned	3,752,502	-	-	3,752,502
TOTAL FUND BALANCES	<u>4,287,278</u>	<u>1,770,915</u>	<u>704,296</u>	<u>6,762,489</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 5,458,236</u>	<u>\$ 1,836,650</u>	<u>\$ 748,383</u>	<u>\$ 8,043,269</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

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

June 30, 2017

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

Total Fund Balances of Governmental Funds	\$ 6,762,489
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	47,623,476
Certain long-term assets are not available to pay current year expenditures and, therefore, are deferred in governmental funds. This amount represents property taxes not available as current financial resources.	213,538
Long-term liabilities and related items, including bonds (\$23,928,746), bond premiums (\$309,154), accrued compensated absences (\$209,965), severance (\$300,044), loss on debt refunding \$26,957, accrued interest payable (\$71,393), net pension liability (\$44,781,859), pension-related deferred outflows of resources \$17,424,012, and pension-related deferred inflows of resources (\$893,607), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(53,043,799)</u>
Total Net Position of Governmental Activities	<u>\$ 1,555,704</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	GENERAL	BOND REDEMPTION	NONMAJOR GOVERNMENTAL FUNDS	TOTAL
REVENUES				
Local Sources	\$ 6,280,084	\$ 2,173,178	\$ 208,511	\$ 8,661,773
County Sources	71,088	-	-	71,088
State Sources	5,168,044	-	159,535	5,327,579
Federal Sources	127,915	-	1,561,280	1,689,195
TOTAL REVENUES	11,647,131	2,173,178	1,929,326	15,749,635
EXPENDITURES				
Current				
Instruction	6,388,357	-	658,057	7,046,414
Supporting Services	4,031,056	-	1,014,231	5,045,287
Food Service	-	-	471,459	471,459
Capital Outlay	-	-	955,362	955,362
Debt Service				
Principal	-	1,299,328	-	1,299,328
Interest and Fiscal Charges	-	882,589	-	882,589
TOTAL EXPENDITURES	10,419,413	2,181,917	3,099,109	15,700,439
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,227,718	(8,739)	(1,169,783)	49,196
OTHER FINANCING SOURCES (USES)				
Transfers In	30,251	-	865,758	896,009
Transfers Out	(814,989)	-	(81,020)	(896,009)
TOTAL OTHER FINANCING SOURCES (USES)	(784,738)	-	784,738	-
NET CHANGE IN FUND BALANCES	442,980	(8,739)	(385,045)	49,196
FUND BALANCES, Beginning	3,844,298	1,779,654	1,089,341	6,713,293
FUND BALANCES, Ending	<u>\$ 4,287,278</u>	<u>\$ 1,770,915</u>	<u>\$ 704,296</u>	<u>\$ 6,762,489</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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

Net Change in Fund Balances of Governmental Funds	\$	49,196
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$1,261,517) exceeded capital outlay \$672,413 in the current year.</p>		
		(589,104)
<p>Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements. This amount represents the change in property taxes not available as current financial resources.</p>		
		(118,265)
<p>Repayments of bond principal are expenditures in governmental funds but reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
		1,299,328
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items: amortization of debt premiums \$25,184 and amortization of loss on debt refunding (\$26,961).</p>		
		(1,777)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in accrued compensated absences \$110,411, severance \$77,964, accrued interest payable \$4,322, net pension liability (\$21,003,618), pension-related deferred outflows of resources \$14,336,534, and pension-related deferred inflows of resources (\$263,332) in the current year.</p>		
		<u>(6,737,719)</u>
Change in Net Position of Governmental Activities	\$	<u>(6,098,341)</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	<u>\$ 281,145</u>
LIABILITIES	
Held for Student Scholarships	\$ 57,321
Due to Student Groups	<u>223,824</u>
 TOTAL LIABILITIES	 <u>\$ 281,145</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Additionally, the District reports the following fund type:

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Taxes, intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

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

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

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

Assets, Liabilities and Net Position/Fund Balances

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

Inventories - Food Service Fund inventories are recorded as an asset when individual items are purchased and as an expenditure when consumed. Inventories are valued using the first-in, first-out method, and consist of purchased and donated commodities. Purchased inventories are recorded at cost. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

Property Taxes

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

Risk Management

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following:

Cash	\$ 125
Deposits	1,068,123
Investments	<u>6,417,867</u>
Total	<u>\$ 7,486,115</u>

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

Cash and Investments	\$ 7,204,970
Fiduciary Fund Cash and Investments	<u>281,145</u>
Total	<u>\$ 7,486,115</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the District had bank deposits of \$624,157 collateralized with securities held by the financial institutions' agents but not in the District's name.

Investments

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

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

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

Local Government Investment Pools - At June 30, 2017, the District had \$139,744 and \$6,278,123 invested in the Colorado Local Government Liquid Asset Trust (Colostrust) and the Colorado Surplus Asset Fund Trust (CSAFE), respectively. The pools are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the pools. The pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The pools are measured at the net asset value per share, with each share valued at \$1. The pools are rated AAAM by Standard and Poor's. Investments of the pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

NOTE 3: PROPERTY HELD FOR RESALE

The District purchased land and is constructing multi-family housing in connection with the District's building trades program. The carrying value of the property at June 30, 2017, was \$133,283, which approximates fair value.

NOTE 4: CAPITAL ASSETS

Activity for capital assets during the year ended June 30, 2017, was as follows.

	Balance <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>6/30/17</u>
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Sites	\$ 557,150	\$ 218,880	\$ -	\$ 776,030
Capital Assets, Being Depreciated				
Buildings and Improvements	54,439,655	36,065	-	54,475,720
Land Improvements	362,453	-	-	362,453
Transportation Equipment	925,263	218,908	-	1,144,171
Other Equipment	776,534	198,560	-	975,094
Total Capital Assets, Being Depreciated	<u>56,503,905</u>	<u>453,533</u>	<u>-</u>	<u>56,957,438</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: CAPITAL ASSETS (Continued)

	<u>Balance</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/17
Governmental Activities (Continued)				
Less Accumulated Depreciation				
Buildings and Improvements	(7,853,601)	(1,130,539)	-	(8,984,140)
Land Improvements	(94,837)	(23,601)	-	(118,438)
Transportation Equipment	(365,480)	(53,736)	-	(419,216)
Other Equipment	<u>(534,557)</u>	<u>(53,641)</u>	-	<u>(588,198)</u>
Total Accumulated Depreciation	<u>(8,848,475)</u>	<u>(1,261,517)</u>	<u>-</u>	<u>(10,109,992)</u>
 Total Capital Assets, Being Depreciated, Net	 <u>47,655,430</u>	 <u>(807,984)</u>	 <u>-</u>	 <u>46,847,446</u>
 Governmental Activities Capital Assets, Net	 <u>\$ 48,212,580</u>	 <u>\$ (589,104)</u>	 <u>\$ -</u>	 <u>\$ 47,623,476</u>

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

Governmental Activities		
Instruction		\$ 5,172
Supporting Services		1,254,493
Food Service		<u>1,852</u>
 Total		 <u>\$ 1,261,517</u>

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

	<u>Balance</u> 6/30/16	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/17	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
2012 General Obligation Bonds	\$ 9,590,000	\$ -	\$ -	\$ 9,590,000	\$ 120,000
Bond Premium	324,538	-	20,284	304,254	-
2010 General Obligation Debt	14,693,074	-	729,328	13,963,746	759,100
2004 General Obligation Bonds	945,000	-	570,000	375,000	375,000
Bond Premium	9,800	-	4,900	4,900	-
Compensated Absences	320,376	-	110,411	209,965	59,802
Severance	<u>378,008</u>	<u>-</u>	<u>77,964</u>	<u>300,044</u>	<u>79,641</u>
 Total	 <u>\$ 26,260,796</u>	 <u>\$ -</u>	 <u>\$ 1,512,887</u>	 <u>\$ 24,747,909</u>	 <u>\$ 1,393,543</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: LONG-TERM DEBT (Continued)

General Obligation Debt

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

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

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

Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,254,100	\$ 832,467	\$ 2,086,567
2019	1,285,086	787,198	2,072,284
2020	1,327,337	744,288	2,071,625
2021	1,370,905	698,548	2,069,453
2022	1,420,843	649,834	2,070,677
2023 - 2027	7,885,291	2,453,276	10,338,567
2028 - 2032	8,065,184	937,493	9,002,677
2033 - 2034	<u>1,320,000</u>	<u>50,600</u>	<u>1,370,600</u>
Total	<u>\$ 23,928,746</u>	<u>\$ 7,153,704</u>	<u>\$ 31,082,450</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Compensated Absences and Severance

Payments to maturity for the severance obligation are as follows:

Year Ended June 30,

2018	\$	79,641
2019		66,153
2020		77,125
2021		<u>77,125</u>
Total		<u>\$ 300,044</u>

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

NOTE 6: INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2017, were comprised of the following:

Transfers In	Transfers Out	Amount
Head Start	General	\$ 172,577
Food Service	General	100,000
Capital Reserve	General	542,412
General	Building	30,251
Capital Reserve	Building	<u>50,769</u>
Total		<u>\$ 896,009</u>

The General Fund provided a portion of its property taxes to the Head Start Fund to improve salaries and benefits for those educational programs. Annually, the General Fund subsidizes the operations of the Food Service Fund and finances capital purchases through transfers to the Capital Reserve Fund. Cash remaining in the Building Fund after all debt proceeds were spent was transferred to the General and Capital Reserve Funds for capital improvements.

NOTE 7: JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2017, the District contributed \$86,246 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mount Lincoln Drive West, Leadville, Colorado 80461.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

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

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

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - The District and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The District's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The District's contributions to the SDTF for the year ended June 30, 2017, were \$1,313,578, equal to the required contributions.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the District reported a net pension liability of \$44,781,859, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.1504065926%, which was a decrease of 0.0050647314% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$8,157,927. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 566,196	\$ 410
Changes of assumptions and other inputs	14,530,779	208,745
Net difference between projected and actual earnings on plan investments	1,546,755	-
Changes in proportion	-	684,452
Contributions subsequent to the measurement date	<u>780,282</u>	<u>-</u>
Total	<u>\$ 17,424,012</u>	<u>\$ 893,607</u>

District contributions subsequent to the measurement date of \$780,282 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 6,233,509
2019	6,341,476
2020	3,160,201
2021	<u>14,937</u>
Total	<u>\$ 15,750,123</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the District's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

	1% Decrease <u>(4.26%)</u>	Current Discount Rate (5.26%)	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 56,311,748</u>	<u>\$ 44,781,859</u>	<u>\$ 35,391,181</u>

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

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The District is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS as amended. The District's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$69,054, \$68,622 and \$68,766, respectively, equal to the required amounts for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2017, significant amounts of grant expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Capital Renewal Reserve

The District was awarded two Building Excellent Schools Today (BEST) grants from the State of Colorado to construct and improve school buildings. In accordance with the related State statutes, the District is required to establish a capital renewal reserve for the purpose of replacing major facility systems such as roofs, interior finishes, electrical systems and heating, ventilating, and air conditioning systems. At a minimum, the District must contribute \$100 per pupil in the impacted facilities annually to the capital renewal reserve. At June 30, 2017, the reserve was reported as restricted fund balance in the Capital Reserve Fund, in the amount of \$333,313.

Tabor Amendment

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

The amendment is subject to many interpretations, but the District believes it is in substantial compliance with the amendment. In accordance with the amendment, the District has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$350,000.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA SCHOOL DISTRICT NUMBER R-32-J

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

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
District's Proportion of the Net Pension Liability	0.1504065926%	0.1554713240%	0.1560696455%	0.1600700181%
District's Proportionate Share of the Net Pension Liability	\$ 44,781,859	\$ 23,778,241	\$ 21,152,679	\$ 20,416,888
District's Covered Payroll	\$ 6,750,516	\$ 6,775,403	\$ 6,538,195	\$ 6,452,933
District's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
DISTRICT CONTRIBUTIONS				
Statutorily Required Contribution	\$ 1,244,517	\$ 1,193,136	\$ 1,138,738	\$ 1,030,687
Contributions in Relation to the Statutorily Required Contribution	(1,244,517)	(1,193,136)	(1,138,738)	(1,030,687)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 6,769,979	\$ 6,727,654	\$ 6,741,745	\$ 6,448,488
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.89%	15.98%

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

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 4,775,173	\$ 4,769,470	\$ 4,833,045	\$ 63,575
Specific Ownership Taxes	758,000	795,000	846,551	51,551
Investment Income	5,625	12,450	24,867	12,417
BOCES Reimbursement	290,517	560,306	344,748	(215,558)
Other	126,702	277,087	230,873	(46,214)
Total Local Sources	<u>5,956,017</u>	<u>6,414,313</u>	<u>6,280,084</u>	<u>(134,229)</u>
County Sources	<u>51,500</u>	<u>51,500</u>	<u>71,088</u>	<u>19,588</u>
State Sources				
State Equalization	4,975,437	5,059,704	5,055,058	(4,646)
Transportation	87,500	95,566	52,942	(42,624)
Grants	20,000	25,229	60,044	34,815
Total State Sources	<u>5,082,937</u>	<u>5,180,499</u>	<u>5,168,044</u>	<u>(12,455)</u>
Federal Sources				
Medicaid	<u>163,017</u>	<u>169,146</u>	<u>127,915</u>	<u>(41,231)</u>
TOTAL REVENUES	<u>11,253,471</u>	<u>11,815,458</u>	<u>11,647,131</u>	<u>(168,327)</u>
EXPENDITURES				
Instruction	6,255,736	6,480,222	6,388,357	91,865
Supporting Services				
Students	431,385	439,410	420,221	19,189
Instructional Staff	460,845	461,814	455,256	6,558
General Administration	816,199	553,816	403,968	149,848
School Administration	654,580	673,541	660,382	13,159
Business Services	298,508	317,747	319,262	(1,515)
Operations and Maintenance	1,062,428	1,070,831	1,091,527	(20,696)
Student Transportation	341,636	358,285	313,579	44,706
Central Support	232,109	312,750	262,571	50,179
Other Support	110,682	106,778	104,290	2,488
Reserves	<u>3,014,262</u>	<u>3,690,556</u>	<u>-</u>	<u>3,690,556</u>
TOTAL EXPENDITURES	<u>13,678,370</u>	<u>14,465,750</u>	<u>10,419,413</u>	<u>4,046,337</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,424,899)</u>	<u>(2,650,292)</u>	<u>1,227,718</u>	<u>3,878,010</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	30,251	30,251
Transfers Out	<u>(997,877)</u>	<u>(1,194,006)</u>	<u>(814,989)</u>	<u>379,017</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(997,877)</u>	<u>(1,194,006)</u>	<u>(784,738)</u>	<u>409,268</u>
NET CHANGE IN FUND BALANCE	<u>(3,422,776)</u>	<u>(3,844,298)</u>	<u>442,980</u>	<u>4,287,278</u>
FUND BALANCE, Beginning	<u>3,422,776</u>	<u>3,844,298</u>	<u>3,844,298</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,287,278</u>	<u>\$ 4,287,278</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

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

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

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

SUPPLEMENTARY INFORMATION

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2017

	<u>HEAD START</u>	<u>GRANTS</u>	<u>FOOD SERVICE</u>	<u>BUILDING</u>
ASSETS				
Cash and Investments	\$ 234,070	\$ 27,092	\$ 54,801	1,309
Grants Receivable	888	40,307	-	-
Inventories	-	-	5,030	-
TOTAL ASSETS	<u>\$ 234,958</u>	<u>\$ 67,399</u>	<u>\$ 59,831</u>	<u>\$ 1,309</u>
LIABILITIES				
Accrued Salaries and Benefits	\$ -	\$ 20,590	\$ 22,694	\$ -
Unearned Revenues	-	803	-	-
TOTAL LIABILITIES	<u>-</u>	<u>21,393</u>	<u>22,694</u>	<u>-</u>
FUND BALANCES				
Nonspendable Inventories	-	-	5,030	-
Restricted for Capital Renewal	-	-	-	-
Restricted for Head Start	234,958	-	-	-
Assigned to Grant Programs	-	46,006	-	-
Assigned to Food Service	-	-	32,107	-
Assigned to Capital Projects	-	-	-	1,309
TOTAL FUND BALANCES	<u>234,958</u>	<u>46,006</u>	<u>37,137</u>	<u>1,309</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 234,958</u>	<u>\$ 67,399</u>	<u>\$ 59,831</u>	<u>\$ 1,309</u>

See the accompanying Independent Auditors' Report.

<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
\$ 384,886	\$ 702,158
-	41,195
-	5,030
<u>\$ 384,886</u>	<u>\$ 748,383</u>
\$ -	\$ 43,284
-	803
<u>-</u>	<u>44,087</u>
-	5,030
333,313	333,313
-	234,958
-	46,006
-	32,107
51,573	52,882
<u>384,886</u>	<u>704,296</u>
<u>\$ 384,886</u>	<u>\$ 748,383</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2017

	<u>HEAD START</u>	<u>GRANTS</u>	<u>FOOD SERVICE</u>	<u>BUILDING</u>
REVENUES				
Local Sources	\$ 51,799	\$ 1,063	\$ 142,555	\$ 204
State Sources	-	135,924	6,961	16,650
Federal Sources	1,108,370	230,876	222,034	-
	<u>1,160,169</u>	<u>367,863</u>	<u>371,550</u>	<u>16,854</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Instruction	425,348	232,709	-	-
Supporting Services	879,004	135,227	-	-
Food Service	-	-	471,459	-
Capital Outlay	-	-	-	19,951
	<u>1,304,352</u>	<u>367,936</u>	<u>471,459</u>	<u>19,951</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(144,183)</u>	<u>(73)</u>	<u>(99,909)</u>	<u>(3,097)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	172,577	-	100,000	-
Transfers Out	-	-	-	(81,020)
	<u>172,577</u>	<u>-</u>	<u>100,000</u>	<u>(81,020)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	28,394	(73)	91	(84,117)
FUND BALANCES, Beginning	<u>206,564</u>	<u>46,079</u>	<u>37,046</u>	<u>85,426</u>
FUND BALANCES, Ending	<u>\$ 234,958</u>	<u>\$ 46,006</u>	<u>\$ 37,137</u>	<u>\$ 1,309</u>

See the accompanying Independent Auditors' Report.

<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
\$ 12,890	\$ 208,511
-	159,535
-	<u>1,561,280</u>
<u>12,890</u>	<u>1,929,326</u>
-	658,057
-	1,014,231
-	471,459
<u>935,411</u>	<u>955,362</u>
<u>935,411</u>	<u>3,099,109</u>
<u>(922,521)</u>	<u>(1,169,783)</u>
593,181	865,758
-	<u>(81,020)</u>
<u>593,181</u>	<u>784,738</u>
(329,340)	(385,045)
<u>714,226</u>	<u>1,089,341</u>
<u>\$ 384,886</u>	<u>\$ 704,296</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

HEAD START FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Tuition	\$ -	\$ -	\$ 24,300	\$ 24,300
Other	31,500	244,187	27,499	(216,688)
Federal Sources				
Grants	1,026,843	1,099,046	1,108,370	9,324
TOTAL REVENUES	1,058,343	1,343,233	1,160,169	(183,064)
EXPENDITURES				
Instruction				
Salaries	221,773	341,563	258,362	83,201
Employee Benefits	79,819	97,421	78,525	18,896
Purchased Services	73,253	69,940	59,031	10,909
Supplies and Materials	30,025	20,200	29,430	(9,230)
Other	48,796	-	-	-
Total Instruction	453,666	529,124	425,348	103,776
Supporting Services				
Salaries	393,340	442,033	391,255	50,778
Employee Benefits	130,230	133,133	119,287	13,846
Purchased Services	253,554	313,377	304,080	9,297
Supplies and Materials	-	26,350	64,142	(37,792)
Other	-	2,600	240	2,360
Total Supporting Services	777,124	917,493	879,004	38,489
Reserves	278,112	275,757	-	275,757
TOTAL EXPENDITURES	1,508,902	1,722,374	1,304,352	418,022
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(450,559)	(379,141)	(144,183)	234,958
OTHER FINANCING SOURCES				
Transfers In	166,446	172,577	172,577	-
NET CHANGE IN FUND BALANCE	(284,113)	(206,564)	28,394	234,958
FUND BALANCE, Beginning	284,113	206,564	206,564	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 234,958	\$ 234,958

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Grants	\$ -	\$ -	\$ 1,063	\$ 1,063
State Grants	136,038	136,485	135,924	(561)
Federal Grants	232,193	236,659	230,876	(5,783)
TOTAL REVENUES	368,231	373,144	367,863	(5,281)
EXPENDITURES				
Instruction				
Salaries	49,438	45,125	47,263	(2,138)
Employee Benefits	10,352	15,176	13,296	1,880
Purchased Services	250	250	2,090	(1,840)
Supplies and Materials	15,464	11,521	9,223	2,298
Other	136,783	160,837	160,837	-
Total Instruction	212,287	232,909	232,709	200
Supporting Services				
Salaries	82,477	75,884	75,692	192
Employee Benefits	22,988	28,493	23,009	5,484
Purchased Services	16,767	19,771	17,859	1,912
Supplies and Materials	6,050	4,712	4,185	527
Property	2,700	-	-	-
Other	24,962	11,375	14,482	(3,107)
Total Supporting Services	155,944	140,235	135,227	5,008
TOTAL EXPENDITURES	368,231	373,144	367,936	5,208
NET CHANGE IN FUND BALANCE	-	-	(73)	(73)
FUND BALANCE, Beginning	35,711	46,079	46,079	-
FUND BALANCE, Ending	\$ 35,711	\$ 46,079	\$ 46,006	\$ (73)

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Charges for Services	\$ 142,975	\$ 142,975	\$ 142,538	\$ (437)
Investment Income	10	10	17	7
State Sources				
State Grants	6,803	6,803	6,961	158
Federal Sources				
School Breakfast and Lunch Program	197,909	197,909	222,034	24,125
TOTAL REVENUES	<u>347,697</u>	<u>347,697</u>	<u>371,550</u>	<u>23,853</u>
EXPENDITURES				
Current				
Salaries	183,760	185,030	172,452	12,578
Employee Benefits	60,476	60,744	59,250	1,494
Purchased Services	13,453	13,453	11,644	1,809
Supplies and Materials	248,135	248,135	228,113	20,022
Reserves	48,280	45,381	-	45,381
TOTAL EXPENDITURES	<u>554,104</u>	<u>552,743</u>	<u>471,459</u>	<u>81,284</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(206,407)	(205,046)	(99,909)	105,137
OTHER FINANCING SOURCES				
Transfers In	168,000	168,000	100,000	(68,000)
NET CHANGE IN FUND BALANCE	(38,407)	(37,046)	91	37,137
FUND BALANCE, Beginning	38,407	37,046	37,046	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,137</u>	<u>\$ 37,137</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
 Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 2,103,249	\$ 2,103,249	\$ 2,165,078	\$ 61,829
Investment Income	1,950	1,950	8,100	6,150
TOTAL REVENUES	2,105,199	2,105,199	2,173,178	67,979
EXPENDITURES				
Debt Service				
Principal	1,254,100	1,254,100	1,299,328	(45,228)
Interest and Fiscal Charges	862,846	862,846	882,589	(19,743)
Reserves	1,747,938	1,767,907	-	1,767,907
TOTAL EXPENDITURES	3,864,884	3,884,853	2,181,917	1,702,936
NET CHANGE IN FUND BALANCE	(1,759,685)	(1,779,654)	(8,739)	1,770,915
FUND BALANCE, Beginning	1,759,685	1,779,654	1,779,654	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,770,915	\$ 1,770,915

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

BUILDING FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Investment Income	\$ 100	\$ 100	\$ 204	\$ 104
State Sources				
State Grants	532,653	490,022	16,650	(473,372)
TOTAL REVENUES	<u>532,753</u>	<u>490,122</u>	<u>16,854</u>	<u>(473,268)</u>
EXPENDITURES				
Capital Outlay	532,653	490,022	19,951	470,071
Reserves	260,086	4,506	-	4,506
TOTAL EXPENDITURES	<u>792,739</u>	<u>494,528</u>	<u>19,951</u>	<u>474,577</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(259,986)	(4,406)	(3,097)	1,309
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(81,020)	(81,020)	-
NET CHANGE IN FUND BALANCE	(259,986)	(85,426)	(84,117)	1,309
FUND BALANCE, Beginning	259,986	85,426	85,426	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,309</u>	<u>\$ 1,309</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
 Year Ended June 30, 2017

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Investment Income	\$ 1,710	\$ 1,710	\$ 1,962	\$ 252
Other	205,092	130,720	10,928	(119,792)
TOTAL REVENUES	<u>206,802</u>	<u>132,430</u>	<u>12,890</u>	<u>(119,540)</u>
EXPENDITURES				
Capital Outlay				
Buildings and Improvements	195,700	481,140	453,347	27,793
Equipment	621,745	634,530	482,064	152,466
Reserves	620,697	324,167	-	324,167
TOTAL EXPENDITURES	<u>1,438,142</u>	<u>1,439,837</u>	<u>935,411</u>	<u>504,426</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,231,340)	(1,307,407)	(922,521)	384,886
OTHER FINANCING SOURCES				
Transfers In	600,662	593,181	593,181	-
NET CHANGE IN FUND BALANCE	(630,678)	(714,226)	(329,340)	384,886
FUND BALANCE, Beginning	630,678	714,226	714,226	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 384,886</u>	<u>\$ 384,886</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2017

	<u>BALANCES</u> 6/30/16	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/17
Pupil Activity Fund				
ASSETS				
Cash and Investments	\$ 318,635	\$ 652,352	\$ 689,842	\$ 281,145
LIABILITIES				
Held for Student Scholarships	\$ 58,300	\$ 1,021	\$ 2,000	\$ 57,321
Due to Student Groups	260,335	651,331	687,842	223,824
TOTAL LIABILITIES	<u>\$ 318,635</u>	<u>\$ 652,352</u>	<u>\$ 689,842</u>	<u>\$ 281,145</u>

See the accompanying Independent Auditors' Report.

COMPLIANCE SECTION

SINGLE AUDIT



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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 20, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Salida School District Number R-32-J's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Salida School District Number R-32-J's internal control. Accordingly, we do not express an opinion on the effectiveness of the Salida School District Number R-32-J's internal control over financial reporting.

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Salida School District Number R-32-J's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Salida School District Number R-32-J's internal control and compliance. Accordingly, this report is not suitable for any other purpose.



December 20, 2017



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

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

Report on Compliance for Each Major Federal Program

We have audited the Salida School District Number R-32-J's compliance with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Salida School District Number R-32-J's major federal programs for the year ended June 30, 2017. The Salida School District Number R-32-J's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Salida School District Number R-32-J's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Salida School District Number R-32-J's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Salida School District Number R-32-J's compliance.

Opinion on Each Major Federal Program

In our opinion, the Salida School District Number R-32-J complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the Salida School District Number R-32-J is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Salida School District Number R-32-J's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Salida School District Number R-32-J's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Salida School District Number R-32-J. We issued our report thereon dated December 20, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Salida School District Number R-32-J's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



December 20, 2017

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2017

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes no

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

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major federal programs:

• Material weaknesses identified? _____ yes no

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes no

Identification of major federal program:

93.600 Head Start

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

Auditee qualified as low-risk auditee? yes _____ no

Financial Statement Findings

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

Federal Awards Findings and Questioned Costs

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2017

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
U.S. Department of Education			
Passed through Colorado Department of Education			
Title I	4010	84.010	\$ 160,837
Race to the Top Early Learning Challenge	5412	84.412	498
Supporting Effective Instruction	4367	84.367	59,317
Passed through Colorado Community College System			
Career and Technical Education		84.048	<u>10,224</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>230,876</u>
U.S. Department of Agriculture			
Child Nutrition Cluster			
Passed through Colorado Department of Human Services			
Donated Commodities		10.555	30,638
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	34,248
National School Lunch Program	4555	10.555	<u>157,148</u>
Total Child Nutrition Cluster			<u>222,034</u>
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program		10.558	<u>63,317</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>285,351</u>
U.S. Department of Health and Human Services			
Direct Program			
Head Start		93.600	<u>1,045,053</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,045,053</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u><u>\$ 1,561,280</u></u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2017

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements. The District does not charge a de minimis indirect cost rate.

STATE COMPLIANCE



Colorado Department of Education
Auditors Integrity Report
 District: 0500 – SALIDA R-32
 Fiscal Year 2016-17
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001-0999 Total Expenditures & Other Uses	=	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental							
10 General Fund	3,728,535		10,668,190		10,160,939		4,235,786
18 Risk Mgmt Sub-Fund of General Fund	0		0		0		0
19 Colorado Preschool Program Fund	115,764		194,203		258,474		51,493
Sub-Total	3,844,300		10,862,393		10,419,413		4,287,280
11 Charter School Fund	0		0		0		0
20.26-29 Special Revenue Fund	206,564		1,322,746		1,304,352		234,958
06 Supplemental Cap Const., Tech, Main, Fund	0		0		0		0
21 Food Service Spec. Revenue Fund	37,046		471,550		471,459		37,137
22 Govt Designated-Purpose Grants Fund	46,079		367,863		367,934		46,008
23 Pupil Activity Special Revenue Fund	0		0		0		0
24 Full Day Kindergarten Mill Levy Override	0		0		0		0
25 Transportation Fund	0		0		0		0
31 Bond Redemption Fund	1,779,653		2,173,179		2,181,917		1,770,915
39 Certificate of Participation (COP) Debt Service Fund	0		0		0		0
41 Building Fund	85,426		-64,166		19,951		1,309
42 Special Building Fund	0		0		0		0
43 Capital Reserve Capital Projects Fund	714,227		606,071		935,411		384,887
46 Supplemental Cap Const., Tech, Main Fund	0		0		0		0
Totals	6,713,294		15,749,636		15,700,438		6,762,493
Proprietary							
50 Other Enterprise Funds	0		0		0		0
64 (63) Risk-Related Activity Fund	0		0		0		0
60.65-69 Other Internal Service Funds	0		0		0		0
Totals	0		0		0		0
Fiduciary							
70 Other Trust and Agency Funds	0		0		0		0
72 Private Purpose Trust Fund	58,300		1,021		2,000		57,321
73 Agency Fund	0		0		0		0
74 Pupil Activity Agency Fund	260,336		651,331		687,842		223,824
79 GASB 34/Permanent Fund	0		0		0		0
85 Foundations	0		0		0		0
Totals	318,635		652,352		689,842		281,145

FINAL