

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

FINANCIAL STATEMENTS

June 30, 2010

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

ROSTER OF SCHOOL OFFICIALS

June 30, 2010

BOARD OF EDUCATION

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Dan Short - Treasurer

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Business Manager

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FINANCIAL SECTION



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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, as listed in the table of contents. These financial statements are the responsibility of the Salida School District Number R-32-J's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Salida School District Number R-32-J as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2010, 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, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 combining and individual fund financial statements and schedules listed in the table of contents are presented for purpose of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 21, 2010

Salida School District R-32-J

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2010

As management of Salida School District R-32-J we offer readers of the District's basic financial statements this narrative and analysis of the financial activities of Salida School District R-32-J for the year ended June 30, 2010. 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, 2010 the general fund, fund balance decreased by \$66,867.

The general fund operations of the Salida School District R-32-J are funded primarily by tax revenue received under the State School Finance Act (the Act) in the amount of \$9,330,285 and total revenue for the year was \$10,290,887.

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

The governmental activities of the Salida School District include instruction and support services of the district. The business-type activity is comprised of the food service program.

The statement of activities presents information showing how the District's net assets changed during the year. All changes in net worth 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. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses an enterprise fund to account for its food services program.

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

Net assets may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2010, the District's combined assets exceeded liabilities by \$6,151,581. Of this amount \$2,071,088 is unrestricted and is available to meet the District's ongoing financial obligations. \$3,046,772 is in capital assets net of related debt. In addition, \$102,081 is restricted for capital projects; \$581,433 is restricted for debt service; and \$313,000 is restricted for emergencies under TABOR.

Statement of net assets

	<u>GOVERNMENTAL ACTIVITIES</u>		<u>BUSINESS-TYPE ACTIVITIES</u>	
	<u>2008-2009</u>	<u>2009-2010</u>	<u>2008-2009</u>	<u>2009-2010</u>
ASSETS				
Current Assets	\$ 5,222,315	\$ 5,391,063	\$ 82,053	\$85,774
Capital Assets, Net of Accumulated Depreciation	<u>7,354,426</u>	<u>7,044,210</u>	<u>3,797</u>	<u>3,037</u>
TOTAL ASSETS	<u>12,576,741</u>	<u>12,435,273</u>	<u>85,850</u>	<u>88,811</u>
LIABILITIES				
Current Liabilities	991,605	1,182,881	36,023	34,621
NonCurrent Liabilities	<u>6,073,151</u>	<u>5,139,368</u>	<u>14,714</u>	<u>15,633</u>
TOTAL LIABILITIES	<u>7,064,756</u>	<u>6,322,249</u>	<u>50,737</u>	<u>50,254</u>
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	2,625,532	3,043,735	3,797	3,037
Restricted	1,792,492	1,033,721	-	-
Unrestricted	<u>1,093,961</u>	<u>2,035,568</u>	<u>31,316</u>	<u>35,520</u>
TOTAL NET ASSETS	<u>\$5,511,985</u>	<u>\$6,113,024</u>	<u>\$35,113</u>	<u>\$38,557</u>

Governmental activities increased the Salida School District's net assets by \$601,039. Business-type activities increased the net assets by \$3,444.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2008-2009	2009-2010	2008-2009	2009-2010
Program revenues:				
Charges for service	\$ 42,302	\$ 58,021	\$ 123,108	\$162,153
Operating grants & contributions	1,338,791	1,806,761	175,407	208,899
General revenues:				
Property Taxes	4,786,796	5,052,265	-	-
Specific ownership taxes	565,420	630,212	-	-
State equalization	4,593,720	4,261,089	-	-
Other revenues	610,849	598,051	-	-
Earnings on Investments	<u>50,908</u>	<u>30,670</u>	<u>16</u>	<u>19</u>
TOTAL REVENUES	<u>11,988,786</u>	<u>12,437,069</u>	<u>298,531</u>	<u>371,071</u>
Expenses:				
Instruction	6,025,501	7,043,581	-	-
Supporting Services	4,535,388	4,504,555	-	-
Interest and Fiscal Charges	207,012	202,894	-	-
Food Service	<u>-</u>	<u>-</u>	<u>455,630</u>	<u>452,627</u>
TOTAL EXPENSES	<u>10,767,901</u>	<u>11,751,030</u>	<u>455,630</u>	<u>452,627</u>
TRANSFERS	<u>(240,030)</u>	<u>(85,000)</u>	<u>240,030</u>	<u>85,000</u>
CHANGE IN NET ASSETS	980,855	601,039	82,931	3,444
NET ASSETS, Beginning	<u>4,531,130</u>	<u>5,511,985</u>	<u>(47,818)</u>	<u>35,113</u>
NET ASSETS, Ending	<u>\$5,511,985</u>	<u>\$6,113,024</u>	<u>\$ 35,113</u>	<u>\$38,557</u>

The most significant change from last year was the two year Early Childhood Grant received by the Head Start Program, which increased the instructional expenses.

Financial Analysis of the District's Funds

Governmental funds. The focus of Salida School District R-32-J governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year the District's governmental funds reported a combined ending fund balance of \$3,837,529: General Fund \$2,656,736; Bond Redemption \$560,055; Grant Fund \$94,888; and Other Governmental Funds \$525,850. This was a decrease of \$94,914 from the previous fiscal year.

Enterprise Fund. The District Food Service Fund ended the current fiscal year with net assets of \$38,557, which is an increase of \$3,444 from the previous year. The food service saw an increase in revenue of 27% due to the campus being closed to ninth and tenth graders and the General Fund was able to decrease the subsidy to \$85,000.

General Fund Budgetary Highlights

General Fund revenues and other financing sources budgeted were 10,442,584 and actual revenues were \$10,290,887. The District budgeted for General Fund expenditures and transfers out of \$10,952,031, for the year ended June 30, 2010. Actual expenditures and transfer out were \$10,357,754.

Capital Assets

Salida Early Childhood Center installed a security camera system at a cost of \$20,910. The District purchased a 1993 Jeep Wrangler and a new Myers attachable snow plow to assist in snow removal with a combined total of \$6,849. Further information on capital assets can be found in Note 4 to the financial statements.

Long-Term Debt

As of June 30, 2010 the Salida School District R-32-J has long-term debt of \$5,139,368. 2004 GO Bonds \$3,955,000 refinanced a portion of original 1998 GO Bonds for the construction of the Salida Middle School; Deferred amount on refunding 1998 GO Bonds (\$215,684); Compensated Absences \$243,845; Severance \$860,106; Capital Lease \$256,901 for Wireless Internet and COWS; Bond Premiums \$39,200. Further information on long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the Salida School District R-32-J is student enrollment. Funded pupil count for the 2009-2010 school year was 1079.9. The funded pupil count projected for the 2010-2011 school year is expected to be 1082. This factor was considered in preparing the District's budget for 2010-2011.

Requests for Information

The financial report is designed to provide a general overview of the Districts finances for all those with an interest in the Salida School District R-32-J. 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
310 East 9th Street
Salida, CO 81201

BASIC FINANCIAL STATEMENTS

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF NET ASSETS

June 30, 2010

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 4,364,333	\$ 74,017	\$ 4,438,350
Accounts Receivable	1,313	-	1,313
Taxes Receivable	643,815	-	643,815
Grants Receivable	346,660	-	346,660
Inventories	-	11,757	11,757
Bond Issuance Costs, Net of Accumulated Amortization	34,942	-	34,942
Capital Assets, Net of Accumulated Depreciation	<u>7,044,210</u>	<u>3,037</u>	<u>7,047,247</u>
TOTAL ASSETS	<u>12,435,273</u>	<u>88,811</u>	<u>12,524,084</u>
LIABILITIES			
Accounts Payable	186,913	-	186,913
Accrued Salaries and Benefits	960,228	34,621	994,849
Deferred Revenues	22,800	-	22,800
Accrued Interest Payable	12,940	-	12,940
Noncurrent Liabilities			
Due Within One Year	715,913	-	715,913
Due in More Than One Year	<u>4,423,455</u>	<u>15,633</u>	<u>4,439,088</u>
TOTAL LIABILITIES	<u>6,322,249</u>	<u>50,254</u>	<u>6,372,503</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,043,735	3,037	3,046,772
Restricted for Debt Service	581,433	-	581,433
Restricted for Preschool	37,207	-	37,207
Restricted for Capital Outlay	102,081	-	102,081
Restricted for Emergencies	313,000	-	313,000
Unrestricted	<u>2,035,568</u>	<u>35,520</u>	<u>2,071,088</u>
TOTAL NET ASSETS	<u>\$ 6,113,024</u>	<u>\$ 38,557</u>	<u>\$ 6,151,581</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, 2010

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 7,043,581	\$ 58,021	\$ 1,754,602
Supporting Services	4,504,555	-	52,159
Interest and Fiscal Charges	202,894	-	-
Total Governmental Activities	<u>11,751,030</u>	<u>58,021</u>	<u>1,806,761</u>
Business-Type Activities			
Food Service	<u>452,627</u>	<u>162,153</u>	<u>208,899</u>
Total Business-Type Activities	<u>452,627</u>	<u>162,153</u>	<u>208,899</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 12,203,657</u>	<u>\$ 220,174</u>	<u>\$ 2,015,660</u>

GENERAL REVENUES

Local Property Taxes
 Specific Ownership Taxes
 State Equalization
 Grants and Contributions not Restricted to Specific Programs
 Investment Income
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET ASSETS

NET ASSETS, Beginning

NET ASSETS, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (5,230,958)	\$ -	\$ (5,230,958)
(4,452,396)	-	(4,452,396)
<u>(202,894)</u>	<u>-</u>	<u>(202,894)</u>
<u>(9,886,248)</u>	<u>-</u>	<u>(9,886,248)</u>
<u>-</u>	<u>(81,575)</u>	<u>(81,575)</u>
<u>-</u>	<u>(81,575)</u>	<u>(81,575)</u>
<u>(9,886,248)</u>	<u>(81,575)</u>	<u>(9,967,823)</u>
5,052,265	-	5,052,265
630,212	-	630,212
4,261,089	-	4,261,089
269,396	-	269,396
30,670	19	30,689
328,655	-	328,655
<u>(85,000)</u>	<u>85,000</u>	<u>-</u>
<u>10,487,287</u>	<u>85,019</u>	<u>10,572,306</u>
601,039	3,444	604,483
<u>5,511,985</u>	<u>35,113</u>	<u>5,547,098</u>
\$ <u><u>6,113,024</u></u>	\$ <u><u>38,557</u></u>	\$ <u><u>6,151,581</u></u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2010

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
ASSETS					
Cash and Investments	\$ 3,301,686	\$ -	\$ 531,071	\$ 531,576	\$ 4,364,333
Accounts Receivable	1,313	-	-	-	1,313
Taxes Receivable	580,513	-	63,302	-	643,815
Grants Receivable	4,489	342,171	-	-	346,660
Interfund Receivables	189,389	-	-	-	189,389
TOTAL ASSETS	<u>\$ 4,077,390</u>	<u>\$ 342,171</u>	<u>\$ 594,373</u>	<u>\$ 531,576</u>	<u>\$ 5,545,510</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 179,654	\$ 1,533	\$ -	\$ 5,726	\$ 186,913
Accrued Salaries and Benefits	926,667	33,561	-	-	960,228
Deferred Revenues	314,333	22,800	34,318	-	371,451
Interfund Payables	-	189,389	-	-	189,389
TOTAL LIABILITIES	<u>1,420,654</u>	<u>247,283</u>	<u>34,318</u>	<u>5,726</u>	<u>1,707,981</u>
FUND BALANCES					
Reserved for Preschool	37,207	-	-	-	37,207
Reserved for Emergencies	313,000	-	-	-	313,000
Reserved for Capital Outlay	-	-	-	102,081	102,081
Unreserved, Reported in					
General Fund	2,306,529	-	-	-	2,306,529
Special Revenue Funds	-	94,888	-	423,769	518,657
Debt Service Fund	-	-	560,055	-	560,055
TOTAL FUND BALANCES	<u>2,656,736</u>	<u>94,888</u>	<u>560,055</u>	<u>525,850</u>	<u>3,837,529</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,077,390</u>	<u>\$ 342,171</u>	<u>\$ 594,373</u>	<u>\$ 531,576</u>	<u>\$ 5,545,510</u>

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

Total Fund Balances of Governmental Funds	\$ 3,837,529
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,044,210
Certain long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds.	348,651
Long-term liabilities and related items, including bonds (\$3,955,000), bond premium (\$39,200), deferred amount on refunding \$215,684, capital leases (\$256,901), compensated absences (\$243,845), severance (\$860,106), accrued interest payable (\$12,940) and bond issuance costs \$34,942, are not due and payable in the current year and, therefore, are not reported in the funds.	<u>(5,117,366)</u>
Total Net Assets of Governmental Activities	<u>\$ 6,113,024</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, 2010

	<u>GENERAL</u>	<u>GRANTS</u>	<u>BOND REDEMPTION</u>	<u>OTHER GOVERNMENTAL FUNDS</u>	<u>TOTAL</u>
REVENUES					
Local Sources	\$ 5,481,658	\$ -	\$ 540,995	\$ 191,897	\$ 6,214,550
County Sources	269,396	-	-	-	269,396
State Sources	4,510,168	8,817	-	-	4,518,985
Federal Sources	29,665	680,019	-	651,328	1,361,012
	<u>10,290,887</u>	<u>688,836</u>	<u>540,995</u>	<u>843,225</u>	<u>12,363,943</u>
TOTAL REVENUES					
EXPENDITURES					
Current					
Instruction	5,890,698	477,953	-	834,864	7,203,515
Supporting Services	3,926,487	212,180	-	-	4,138,667
Capital Outlay	-	-	-	92,366	92,366
Debt Service					
Principal	119,469	-	445,000	190,379	754,848
Interest and Fiscal Charges	18,558	-	156,325	9,578	184,461
	<u>9,955,212</u>	<u>690,133</u>	<u>601,325</u>	<u>1,127,187</u>	<u>12,373,857</u>
TOTAL EXPENDITURES					
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	<u>335,675</u>	<u>(1,297)</u>	<u>(60,330)</u>	<u>(283,962)</u>	<u>(9,914)</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	317,542	317,542
Transfers Out	(402,542)	-	-	-	(402,542)
	<u>(402,542)</u>	<u>-</u>	<u>-</u>	<u>317,542</u>	<u>(85,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)					
NET CHANGE IN FUND BALANCES					
	<u>(66,867)</u>	<u>(1,297)</u>	<u>(60,330)</u>	<u>33,580</u>	<u>(94,914)</u>
FUND BALANCES, Beginning					
	<u>2,723,603</u>	<u>96,185</u>	<u>620,385</u>	<u>492,270</u>	<u>3,932,443</u>
FUND BALANCES, Ending					
	<u>\$ 2,656,736</u>	<u>\$ 94,888</u>	<u>\$ 560,055</u>	<u>\$ 525,850</u>	<u>\$ 3,837,529</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, 2010

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

Net Change in Fund Balances of Governmental Funds	\$	(94,914)
<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 assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense (\$356,833) exceeded capital outlay \$46,617 in the current year.</p>		
		(310,216)
<p>Revenues that do not provide current financial resources are deferred on the governmental fund financial statements but are recognized on the government-wide financial statements. This amount represents property tax revenue that is deferred because it is not available at year end.</p>		
		73,126
<p>Repayments of bond principal \$445,000 and capital lease payments \$309,848 are expenditures in governmental funds but reduce long-term liabilities in the statement of net assets.</p>		
		754,848
<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 \$121,580, severance payments \$79,416, and accrued interest payable \$3,628.</p>		
		204,624
<p>Proceeds from debt issuances and the related costs are revenues and expenditures in the governmental funds, but are long-term liabilities and assets in the statement of net assets and do not affect the statement of activities. This is the net effect of these differences in the treatment of long-term debt and related items: amortization of bond issuance costs (\$4,368), amortization of bond premium \$4,900, and amortization of deferred amount on refunding (\$26,961).</p>		
		<u>(26,429)</u>
Change in Net Assets of Governmental Activities	\$	<u><u>601,039</u></u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF NET ASSETS
PROPRIETARY FUND
 June 30, 2010

	<u>FOOD SERVICE</u>
ASSETS	
CURRENT ASSETS	
Cash and Investments	\$ 74,017
Inventories	<u>11,757</u>
Total Current Assets	85,774
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>3,037</u>
TOTAL ASSETS	<u>88,811</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Salaries and Benefits	<u>34,621</u>
Total Current Liabilities	34,621
LONG-TERM LIABILITIES	
Accrued Compensated Absences	<u>15,633</u>
TOTAL LIABILITIES	<u>50,254</u>
NET ASSETS	
Invested in Capital Assets	3,037
Unrestricted	<u>35,520</u>
TOTAL NET ASSETS	<u>\$ 38,557</u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2010

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Charges for Services	
Student Lunches	\$ <u>162,153</u>
OPERATING EXPENSES	
Salaries	138,791
Employee Benefits	72,255
Commodities	16,802
Supplies and Materials	199,480
Property	7,861
Depreciation	760
Other	<u>16,678</u>
TOTAL OPERATING EXPENSES	<u>452,627</u>
OPERATING INCOME (LOSS)	<u>(290,474)</u>
NONOPERATING INCOME	
Federal Sources	
School Breakfast and Lunch Program	186,422
Donated Commodities	16,802
State Sources	5,675
Investment Income	<u>19</u>
TOTAL NONOPERATING INCOME	<u>208,918</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(81,556)
Transfers In	<u>85,000</u>
CHANGE IN NET ASSETS	3,444
NET ASSETS, Beginning	<u>35,113</u>
NET ASSETS, Ending	<u>\$ <u>38,557</u></u>

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

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2010

	<u>FOOD SERVICE</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Sale of Meals	\$ 162,153
Cash Paid to Suppliers	(223,365)
Cash Paid to Employees	<u>(211,529)</u>
Net Cash Used for Operating Activities	<u>(272,741)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash Received from Federal and State Grants	225,824
Cash Received from Other Funds	<u>85,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>310,824</u>
CASH FLOWS PROVIDED BY INVESTING ACTIVITIES	
Interest Received	<u>19</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	38,102
CASH AND CASH EQUIVALENTS, Beginning	<u>35,915</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 74,017</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES	
Operating Income (Loss)	\$ (290,474)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation Expense	760
Donated Commodities	16,802
Changes in Assets and Liabilities	
Inventories	654
Accrued Salaries and Benefits	<u>(483)</u>
Net Cash Used for Operating Activities	<u>\$ (272,741)</u>
NON-CASH ACTIVITIES	
Commodities Received	<u>\$ 16,802</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, 2010

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>281,451</u>
LIABILITIES	
Held for Student Scholarships	177,406
Due to Student Groups	<u>104,045</u>
TOTAL LIABILITIES	\$ <u><u>281,451</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of 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 more significant policies.

Reporting Entity

The financial reporting entity consists of the District and organizations for which the District is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the District. In addition, any 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 the organization provides benefits to, or imposes financial burdens on, the District.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets 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 statements. Exceptions to this general rule are charges for interfund services that are reasonable equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of 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, proprietary funds, and fiduciary funds, even though the latter are excluded from the District’s government-wide financial statements. Major individual governmental and proprietary 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 required to be accounted for in another fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The *Grants Fund* accounts for various grant revenues and the related expenditures.

The *Bond Redemption Fund* accounts for resources accumulated for, and payments made on, long-term debt obligations of the District.

Additionally, the District reports the following fund types:

The *Food Service Enterprise Fund* accounts for the financial activities associated with the District's breakfast and lunch program.

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*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the fiscal year.

Taxes, intergovernmental revenues, grants, and interest associated with the current year are all considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the District.

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and enterprise fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Assets, Liabilities and Net Assets/Fund Balances

Cash and Investments - Cash equivalents are defined as investments with an original maturity of ninety days or less. Investments are reported at fair value.

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

Inventories - Inventories of the proprietary fund are valued at the lower of cost or market, using the first-in, first-out method.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Buildings and Improvements	30 years
Equipment	5 - 7 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 reflected as a liability in the financial statements.

Deferred Revenues - Deferred revenues include grant revenues that have been collected but the corresponding expenditures have not been incurred. Property taxes earned but not available are also reported as deferred revenues in the fund financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Vacation, Sick Leave, and Other Compensated Absences - District employees are entitled to certain compensated absences based on their length of employment. Except for sick leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. An employee that resigns and leaves the District and has unused accumulated sick leave will be reimbursed for each day at rates based on length of employment.

These compensated absences are recognized as current salary costs when incurred in the proprietary fund and 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 the 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, and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on bond issuances are reported as other financing sources while discounts are reported as other financing uses. Bond issuance costs, whether or not withheld from the actual bond proceeds received, are reported as current expenditures.

Net Assets/Fund Balances - In the government-wide financial statements and the proprietary fund in the fund financial statements, net assets are restricted when constraints placed on the net assets are externally imposed. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Property Tax Revenue

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, 2010

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2010, consisted of the following:

Cash	\$ 125
Deposits	1,271,183
Investments	<u>3,448,493</u>
Total	<u>\$ 4,719,801</u>

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

Cash and Investments	\$ 4,438,350
Fiduciary Fund	<u>281,451</u>
Total	<u>\$ 4,719,801</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, 2010, the District had bank deposits of \$911,326 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 date of investment securities to five years from the date of purchase unless the governing board authorizes investment for a period in excess of five years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations (“NRSROs”). At June 30, 2010, the District had \$28,934 invested in a mutual fund rated Aa2 by Moody’s Investors Service. The fund is used to invest student scholarship money, and may not be allowed by State statutes.

Local Government Investment Pools - At June 30, 2010, the District had \$188,422 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), and \$3,231,137 invested in the Colorado Surplus Asset Fund Trust (CSAFE), 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 Trusts. The Trusts operate similarly to a money market fund with each share equal in value to \$1.00. The Trusts are rated AAAM by Standard and Poor’s. Investments of the Trusts 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: INTERFUND BALANCES AND TRANSACTIONS

Interfund balances at June 30, 2010, were comprised of the following.

<u>Interfund Receivables</u>	<u>Interfund Payables</u>	<u>Amount</u>
General	Grants	<u>\$ 189,389</u>

The General Fund temporarily subsidized the negative cash balance of the Grants Funds.

Interfund transfers for the year ended June 30, 2010, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Reserve	General	\$ 237,542
Severance	General	80,000
Food Service	General	<u>85,000</u>
Total		<u>\$ 402,542</u>

During the year ended June 30, 2010, the General Fund transferred certain amounts to the Capital Reserve Fund, primarily to pay the capital lease in full prior to maturity. Annually, the General Fund transfers to the Severance Fund the amount required to pay benefits, and subsidizes the operations of the Food Service Fund.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2010, was as follows:

	Balance 6/30/09	Additions	Deletions	Balance 6/30/10
Governmental Activities				
Capital Assets, Not Being Depreciated				
Land and Sites	\$ 557,150	\$ -	\$ -	\$ 557,150
Total Capital Assets, Not Being Depreciated	557,150	-	-	557,150
Capital Assets, Being Depreciated				
Buildings and Improvements	9,913,053	30,494	-	9,943,547
Transportation Equipment	476,604	-	-	476,604
Other Equipment	482,300	16,123	-	498,423
Total Capital Assets, Being Depreciated	10,871,957	46,617	-	10,918,574
Less Accumulated Depreciation				
Buildings and Improvements	(3,215,309)	(331,559)	-	(3,546,868)
Transportation Equipment	(436,386)	(11,075)	-	(447,461)
Other Equipment	(422,986)	(14,199)	-	(437,185)
Total Accumulated Depreciation	(4,074,681)	(356,833)	-	(4,431,514)
Total Capital Assets, Being Depreciated, Net	6,797,276	(310,216)	-	6,487,060
Governmental Activities Capital Assets, Net	\$ 7,354,426	\$ (310,216)	\$ -	\$ 7,044,210
Business-Type Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 27,893	\$ -	\$ -	\$ 27,893
Accumulated Depreciation	(24,096)	(760)	-	(24,856)
Business-Type Activities Capital Assets, Net	\$ 3,797	\$ (760)	\$ -	\$ 3,037

Depreciation has been charged to programs of the District as follows:

Governmental Activities		
Instruction		\$ 41,062
Supporting Services		315,771
Total		\$ 356,833
Business-Type Activities		
Food Service		\$ 760

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2010.

	Balance 6/30/09	Additions	Payments	Balance 6/30/10	Due Within One Year
Governmental Activities					
General Obligation Bonds	\$ 4,400,000	\$ -	\$ 445,000	\$ 3,955,000	\$ 455,000
Bond Premium	44,100	-	4,900	39,200	-
Deferred Amount on Refunding	(242,645)	-	(26,961)	(215,684)	-
Capital Leases	566,749	-	309,848	256,901	125,360
Compensated Absences	365,425	-	121,580	243,845	56,137
Severance	939,522	-	79,416	860,106	79,416
Total	<u>\$ 6,073,151</u>	<u>\$ -</u>	<u>\$ 933,783</u>	<u>\$ 5,139,368</u>	<u>\$ 715,913</u>

General Obligation Bonds

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 rates ranging from 3% to 4%. Principal payments are due annually on December 1, with final maturity on December 1, 2017. Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 455,000	\$ 141,341	\$ 596,341
2012	475,000	125,350	600,350
2013	500,000	107,975	607,975
2014	505,000	88,813	593,813
2015	525,000	68,213	593,213
2016 - 2018	<u>1,495,000</u>	<u>80,944</u>	<u>1,575,944</u>
Total	<u>\$ 3,955,000</u>	<u>\$ 612,636</u>	<u>\$ 4,567,636</u>

Capital Leases

In January 1998, the District entered into a capital lease agreement to purchase furnace equipment. Interest and principal payments of \$13,337 were due quarterly, through April, 2013. Assets of \$536,102 were capitalized under the lease. In March, 2010, the capital lease was paid in full.

In May 2009, the District entered into a capital lease agreement to purchase computers and to upgrade the wireless network. Annual payments of \$138,027, including interest accruing at 4.82% per annum, are due in June, through 2012. Payments to maturity for the capital lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 125,360	\$ 12,667	\$ 138,027
2012	<u>131,541</u>	<u>6,486</u>	<u>138,027</u>
Total	<u>\$ 256,901</u>	<u>\$ 19,153</u>	<u>\$ 276,054</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 5: LONG-TERM DEBT (Continued)

Compensated Absences and Severance

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

Payments to maturity for the severance obligation are as follows:

Year Ended June 30,

2011	\$ 79,416
2012	79,953
2013	79,953
2014	82,872
2015	79,952
2016 - 2020	380,835
2021	<u>77,125</u>
Total	<u>\$ 860,106</u>

NOTE 6: JOINTLY GOVERNED ORGANIZATION

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2010, the District contributed \$37,286 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mt. Lincoln Drive W., Leadville, Colorado 80461.

NOTE 7: DEFINED BENEFIT PENSION PLAN

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). SDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the District are members of the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS), as amended, assigns the authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the SDTF. That report may be obtained by writing to Colorado PERA, 1301 Pennsylvania Street, Denver, Colorado 80203.

Funding Policy - The contribution requirements of Plan members and the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members was 8% of covered salary. The District's contribution rate for calendar years 2008, 2009 and 2010 was 12.05%, 12.95% and 13.85% of covered salary, respectively. Also, a portion of the District's contribution (1.02% of covered salary) was allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the years ended June 30, 2010, 2009 and 2008 were \$783,964, \$691,694 and \$625,803, respectively, equal to the required contributions for each year.

NOTES TO FINANCIAL STATEMENTS

June 30, 2010

NOTE 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The District contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA participating 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 was required to contribute at a rate of 1.02% of covered salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the District are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution 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, 2010, 2009 and 2008 were \$59,655, \$56,390 and \$54,994, respectively, equal to the required amounts for each year.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The District participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the District may be required to reimburse the grantor government. At June 30, 2010, significant amounts of grant expenditures have not been audited but the District believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the District.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government tax powers and imposes spending limitations. The District is subject to the Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment.

In November, 1998, electors within the District authorized the District to collect, retain and/or expend all revenues lawfully received by the District from any source during fiscal year 1998-99 and each year thereafter without regard to the limitations and conditions under Article X, Section 20 of the Colorado Constitution or any other law.

The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. As required by the Amendment, the District has established a reserve for emergencies of \$313,000 at June 30, 2010. This reserve is reported as a reservation of fund balance in the General Fund.

REQUIRED SUPPLEMENTARY INFORMATION

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Property Taxes	\$ 4,138,269	\$ 4,576,603	\$ 4,438,984	\$ (137,619)
Specific Ownership Taxes	452,502	452,502	630,212	177,710
Tuition	54,100	54,100	58,021	3,921
Investment Income	37,735	25,575	25,786	211
Other	168,612	420,290	328,655	(91,635)
Total Local Sources	<u>4,851,218</u>	<u>5,529,070</u>	<u>5,481,658</u>	<u>(47,412)</u>
County Sources	<u>262,411</u>	<u>263,866</u>	<u>269,396</u>	<u>5,530</u>
State Sources				
State Equalization	4,699,167	4,279,273	4,261,089	(18,184)
Exceptional Children's Education Act (ECEA)	173,057	172,921	200,883	27,962
English Language Proficiency Act (ELPA)	2,500	2,500	2,252	(248)
Transportation	49,000	29,745	29,200	(545)
Other	-	-	16,744	16,744
Total State Sources	<u>4,923,724</u>	<u>4,484,439</u>	<u>4,510,168</u>	<u>25,729</u>
Federal Sources				
Medicaid	50,000	50,000	22,959	(27,041)
Other	9,332	115,209	6,706	(108,503)
Total Federal Sources	<u>59,332</u>	<u>165,209</u>	<u>29,665</u>	<u>(135,544)</u>
TOTAL REVENUES	<u>10,096,685</u>	<u>10,442,584</u>	<u>10,290,887</u>	<u>(151,697)</u>
EXPENDITURES				
Instruction	5,398,636	6,132,845	5,890,698	242,147
Supporting Services				
Students	400,475	423,871	398,447	25,424
Instructional Staff	392,508	401,078	381,124	19,954
General Administration	631,096	649,807	666,651	(16,844)
School Administration	520,229	529,229	546,308	(17,079)
Business Services	136,684	136,684	129,678	7,006
Operations and Maintenance	1,236,016	1,232,000	971,857	260,143
Student Transportation	358,804	354,842	319,366	35,476
Central Support	500,373	410,227	259,056	151,171
Other Support	63,797	62,929	71,450	(8,521)
Facility Acquisition	-	25,100	182,550	(157,450)
Debt Service	-	138,027	138,027	-
Reserves	56,850	56,850	-	56,850
TOTAL EXPENDITURES	<u>9,695,468</u>	<u>10,553,489</u>	<u>9,955,212</u>	<u>598,277</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	401,217	(110,905)	335,675	446,580
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(253,000)</u>	<u>(398,542)</u>	<u>(402,542)</u>	<u>(4,000)</u>
NET CHANGE IN FUND BALANCE	148,217	(509,447)	(66,867)	442,580
FUND BALANCE, Beginning	<u>1,913,426</u>	<u>2,723,603</u>	<u>2,723,603</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 2,061,643</u>	<u>\$ 2,214,156</u>	<u>\$ 2,656,736</u>	<u>\$ 442,580</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
State Grants	\$ 9,335	\$ 9,335	\$ 8,817	\$ (518)
Federal Grants	<u>529,214</u>	<u>848,053</u>	<u>680,019</u>	<u>(168,034)</u>
TOTAL REVENUES	<u>538,549</u>	<u>857,388</u>	<u>688,836</u>	<u>(168,552)</u>
EXPENDITURES				
Instruction				
Salaries	490,682	594,027	94,562	499,465
Employee Benefits	-	25,669	23,763	1,906
Purchased Services	-	10,000	11,149	(1,149)
Supplies and Materials	-	1,000	5,147	(4,147)
Property	-	-	6,538	(6,538)
Other	-	104,414	336,794	(232,380)
Total Instruction	<u>490,682</u>	<u>735,110</u>	<u>477,953</u>	<u>257,157</u>
Supporting Services				
Salaries	-	-	89,120	(89,120)
Employee Benefits	-	1,232	19,134	(17,902)
Purchased Services	-	5,294	36,253	(30,959)
Supplies and Materials	-	5,077	6,596	(1,519)
Property	-	-	3,727	(3,727)
Other	-	200	57,350	(57,150)
Total Supporting Services	<u>-</u>	<u>11,803</u>	<u>212,180</u>	<u>(200,377)</u>
TOTAL EXPENDITURES	<u>490,682</u>	<u>746,913</u>	<u>690,133</u>	<u>56,780</u>
NET CHANGE IN FUND BALANCE	47,867	110,475	(1,297)	(111,772)
FUND BALANCE, Beginning	<u>-</u>	<u>96,185</u>	<u>96,185</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 47,867</u>	<u>\$ 206,660</u>	<u>\$ 94,888</u>	<u>\$ (111,772)</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2010

NOTE 1: 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 except for the enterprise fund which budgets using a non-GAAP basis.

The District adheres to the following procedures in establishing the budgetary data 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. All budgets lapse at year end.
- 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.

COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2010

	<u>SPECIAL REVENUE FUNDS</u>			
	<u>CAPITAL RESERVE</u>	<u>SEVERANCE</u>	<u>HEAD START</u>	<u>TOTAL</u>
ASSETS				
Cash and Investments	\$ 343,557	\$ 111,820	\$ 76,199	\$ 531,576
TOTAL ASSETS	<u>\$ 343,557</u>	<u>\$ 111,820</u>	<u>\$ 76,199</u>	<u>\$ 531,576</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ -	\$ -	\$ 5,726	\$ 5,726
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>5,726</u>	<u>5,726</u>
FUND BALANCES				
Reserved for Capital Outlay	102,081	-	-	102,081
Unreserved, Reported in Special Revenue Funds	<u>241,476</u>	<u>111,820</u>	<u>70,473</u>	<u>423,769</u>
TOTAL FUND BALANCES	<u>343,557</u>	<u>111,820</u>	<u>70,473</u>	<u>525,850</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 343,557</u>	<u>\$ 111,820</u>	<u>\$ 76,199</u>	<u>\$ 531,576</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
 Year Ended June 30, 2010

	SPECIAL REVENUE FUNDS			
	CAPITAL RESERVE	SEVERANCE	HEAD START	TOTAL
REVENUES				
Local Sources	\$ 3,934	\$ 110	\$ 187,853	\$ 191,897
Federal Sources	-	-	651,328	651,328
TOTAL REVENUES	3,934	110	839,181	843,225
EXPENDITURES				
Current				
Instruction	-	79,587	755,277	834,864
Capital Outlay	42,734	-	49,632	92,366
Debt Service				
Principal	190,379	-	-	190,379
Interest and Fiscal Charges	9,578	-	-	9,578
TOTAL EXPENDITURES	242,691	79,587	804,909	1,127,187
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(238,757)	(79,477)	34,272	(283,962)
OTHER FINANCING SOURCES				
Transfers In	237,542	80,000	-	317,542
NET CHANGE IN FUND BALANCES	(1,215)	523	34,272	33,580
FUND BALANCES, Beginning	344,772	111,297	36,201	492,270
FUND BALANCES, Ending	\$ 343,557	\$ 111,820	\$ 70,473	\$ 525,850

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
CAPITAL RESERVE FUND
 Year Ended June 30, 2010

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Investment Income	\$ 7,861	\$ 6,251	\$ 3,934	\$ (2,317)
TOTAL REVENUES	7,861	6,251	3,934	(2,317)
EXPENDITURES				
Capital Outlay				
Equipment	42,514	42,514	42,734	(220)
Debt Service				
Principal	43,769	193,311	190,379	2,932
Interest and Fiscal Charges	9,578	9,578	9,578	-
TOTAL EXPENDITURES	95,861	245,403	242,691	2,712
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(88,000)	(239,152)	(238,757)	395
OTHER FINANCING SOURCES				
Transfers In	88,000	237,542	237,542	-
NET CHANGE IN FUND BALANCE	-	(1,610)	(1,215)	395
FUND BALANCE, Beginning	305,888	344,772	344,772	-
FUND BALANCE, Ending	\$ 305,888	\$ 343,162	\$ 343,557	\$ 395

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

SEVERANCE FUND

Year Ended June 30, 2010

	<u>ORIGINAL AND FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES			
Local Sources			
Investment Income	\$ 156	\$ 110	\$ (46)
EXPENDITURES			
Instruction			
Severance Pay	79,588	79,587	1
TOTAL EXPENDITURES	<u>79,588</u>	<u>79,587</u>	<u>1</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(79,432)	(79,477)	(45)
OTHER FINANCING SOURCES			
Transfers In	<u>80,000</u>	<u>80,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	568	523	(45)
FUND BALANCE, Beginning	<u>111,297</u>	<u>111,297</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 111,865</u>	<u>\$ 111,820</u>	<u>\$ (45)</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

HEAD START FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Grants	\$ -	\$ 1,661	\$ 78,681	\$ 77,020
In-Kind Contributions	90,181	99,674	109,172	9,498
Investment Income	80	-	-	-
Federal Sources				
Grants	<u>351,724</u>	<u>1,282,656</u>	<u>651,328</u>	<u>(631,328)</u>
TOTAL REVENUES	<u>441,985</u>	<u>1,383,991</u>	<u>839,181</u>	<u>(544,810)</u>
EXPENDITURES				
Instruction				
Salaries	194,257	410,657	279,841	130,816
Employee Benefits	66,539	172,127	68,422	103,705
Purchased Services	63,628	195,812	368,897	(173,085)
Supplies and Materials	16,900	154,321	38,117	116,204
Capital Outlay	<u>-</u>	<u>349,739</u>	<u>49,632</u>	<u>300,107</u>
TOTAL EXPENDITURES	<u>341,324</u>	<u>1,282,656</u>	<u>804,909</u>	<u>477,747</u>
NET CHANGE IN FUND BALANCE	100,661	101,335	34,272	(67,063)
FUND BALANCE, Beginning	<u>3,899</u>	<u>36,201</u>	<u>36,201</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 104,560</u>	<u>\$ 137,536</u>	<u>\$ 70,473</u>	<u>\$ (67,063)</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE
BOND REDEMPTION FUND
 Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Property Taxes	\$ 604,019	\$ 544,093	\$ 540,155	\$ (3,938)
Investment Income	<u>6,000</u>	<u>1,800</u>	<u>840</u>	<u>(960)</u>
TOTAL REVENUES	<u>610,019</u>	<u>545,893</u>	<u>540,995</u>	<u>(4,898)</u>
EXPENDITURES				
Debt Service				
Principal	445,000	445,000	445,000	-
Interest and Fiscal Charges	<u>156,400</u>	<u>156,400</u>	<u>156,325</u>	<u>75</u>
TOTAL EXPENDITURES	<u>601,400</u>	<u>601,400</u>	<u>601,325</u>	<u>75</u>
NET CHANGE IN FUND BALANCE	8,619	(55,507)	(60,330)	(4,823)
FUND BALANCE, Beginning	<u>616,937</u>	<u>620,385</u>	<u>620,385</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 625,556</u>	<u>\$ 564,878</u>	<u>\$ 560,055</u>	<u>\$ (4,823)</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

FOOD SERVICE FUND

Year Ended June 30, 2010

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
OPERATING REVENUES				
Charges for Services				
Student Lunches	\$ 214,923	\$ 214,923	\$ 162,153	\$ (52,770)
Federal Sources				
School Breakfast and Lunch Program	154,541	190,367	186,422	(3,945)
State Grants	3,400	6,641	5,675	(966)
Investment Income	15	15	19	4
Transfers In	<u>85,000</u>	<u>85,000</u>	<u>85,000</u>	<u>-</u>
TOTAL OPERATING REVENUES	<u>457,879</u>	<u>496,946</u>	<u>439,269</u>	<u>(57,677)</u>
OPERATING EXPENSES				
Salaries	140,329	140,329	138,791	1,538
Employee Benefits	78,041	78,042	72,255	5,787
Supplies and Materials	224,500	224,510	199,480	25,030
Property	10,000	10,500	7,861	2,639
Other	<u>3,500</u>	<u>9,690</u>	<u>16,678</u>	<u>(6,988)</u>
TOTAL OPERATING EXPENSES	<u>456,370</u>	<u>463,071</u>	<u>435,065</u>	<u>28,006</u>
CHANGE IN NET ASSETS, Budgetary Basis	<u>\$ 1,509</u>	<u>\$ 33,875</u>	4,204	<u>\$ (29,671)</u>
ADJUSTMENTS TO GAAP BASIS				
USDA Donated Commodities Received			16,802	
USDA Donated Commodities Used			(16,802)	
Depreciation			<u>(760)</u>	
CHANGE IN NET ASSETS, GAAP Basis			3,444	
NET ASSETS, Beginning			<u>35,113</u>	
NET ASSETS, Ending			<u>\$ 38,557</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, 2010

	<u>BALANCE</u> 6/30/09	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/10
Pupil Activity Fund				
ASSETS				
Cash	\$ <u>279,476</u>	\$ <u>341,354</u>	\$ <u>339,379</u>	\$ <u>281,451</u>
LIABILITIES				
Held for Student Scholarships	178,151	5,261	6,006	177,406
Due to Student Groups	<u>101,325</u>	<u>336,093</u>	<u>333,373</u>	<u>104,045</u>
	\$ <u>279,476</u>	\$ <u>341,354</u>	\$ <u>339,379</u>	\$ <u>281,451</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 the financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 21, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Salida School District Number R-32-J's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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 of 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*.

We noted certain matters that we reported to management of the Salida School District Number R-32-J in a separate letter dated December 21, 2010.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Swainburn & Company, LLC".

December 21, 2010



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

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

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) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Salida School District Number R-32-J's management. Our responsibility is to express an opinion on the Salida School District Number R-32-J's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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. Our audit does not provide a legal determination of the Salida School District Number R-32-J's compliance with those requirements.

In our opinion, the Salida School District Number R-32-J complied, in all material respects, with the 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, 2010.

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 requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Salida School District Number R-32-J's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Swankert & Company LLC

December 21, 2010

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2010

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

• Material weaknesses identified? _____ yes x no

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

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

• Material weaknesses identified? _____ yes x no

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

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

_____ yes x no

Identification of major programs:

- 84.010 Title I
- 84.389 ARRA - Title I
- 93.600 Head Start
- 93.708 ARRA - Head Start
- 93.709 ARRA - Early Head Start

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? x yes _____ no

Financial Statement Findings

The audit of the financial statements did not disclose significant deficiencies in internal control that would be considered material weaknesses, and did not disclose fraud, illegal acts, violations of provisions of contracts and grant agreements, 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.



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

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

We have audited the financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 21, 2010. These financial statements are the responsibility of the Salida School District Number R-32-J's management. 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, *Government Auditing Standards*, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 OMB Circular A-133 and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 21, 2010

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2010

Federal Grantor/Pass-through Grantor/Program Title	Federal CFDA Number	Disbursements
U.S. Department of Education		
Passed through Colorado Department of Education		
Title I	84.010	\$ 253,952
ARRA - Title 1	84.389	106,074
Safe and Drug-Free Schools and Communities	84.186	3,300
Education Technology	84.318	1,269
ARRA - Education Technology	84.386	1,205
Improving Teacher Quality	84.367	65,276
Passed through Colorado Department of Human Services		
Vocational Rehabilitation	84.126	78,907
Passed through Colorado Community College System		
Tech Prep Education	84.243	<u>14,185</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>524,168</u>
U.S. Department of Agriculture		
Passed through Colorado Department of Human Services		
Donated Commodities	10.555	16,802
Passed through Colorado Department of Education		
School Breakfast Program	10.553	34,290
National School Lunch Program	10.555	152,132
Passed through Colorado Department of Public Health and Environment		
Child and Adult Care Food Program	10.558	<u>9,114</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		<u>212,338</u>
U.S. Department of Health and Human Services		
Direct Programs		
Head Start	93.600	393,468
ARRA - Head Start	93.708	5,961
ARRA - Early Head Start	93.709	<u>242,785</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>642,214</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 1,378,720</u>

See the accompanying Independent Auditors' Report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2010

NOTE 1: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in the financial statements.

STATE COMPLIANCE



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

**INDEPENDENT AUDITORS' REPORT ON
AUDITOR'S INTEGRITY REPORT**

We have audited the financial statements of the governmental activities, the business-type 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, 2010, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 21, 2010. These financial statements are the responsibility of the Salida School District Number R-32-J's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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 auditor's integrity report is presented for purposes of additional analysis as required by State of Colorado statutes and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swanhorst & Company LLC

December 21, 2010

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Colorado Department of Education
Fiscal Year 2009-2010
Colorado School District/BOCES
Auditor's Integrity Report

CHAFFEE SALIDA R-32
District Code: 0500

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	2,683,816	9,692,629	9,756,917	2,619,528
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	39,787	195,717	198,297	37,207
Subtotal	2,723,603	9,888,346	9,955,214	2,656,736
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	147,498	919,291	884,497	182,292
21 Capital Reserve Spec Revenue Fund	344,772	241,475	242,691	343,557
22 Govt Designated-Purpose Grants Fund	96,184	688,836	690,132	94,889
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
30 Debt Service Fund	0	0	0	0
31 Bond Redemption Fund	620,385	540,995	601,325	560,055
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
TOTALS	3,932,442	12,278,944	12,373,858	3,837,528
Proprietary				
51 Food Service Fund	35,112	456,071	452,627	38,556
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	35,112	456,071	452,627	38,556
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	178,152	5,260	6,006	177,406
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	101,324	336,093	333,373	104,044
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	279,476	341,353	339,379	281,450

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