

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

**FINANCIAL STATEMENTS**

**June 30, 2011**

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

**ROSTER OF SCHOOL OFFICIALS**

**June 30, 2011**

**BOARD OF EDUCATION**

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Superintendent of Schools

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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, 2011, 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, 2011, 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 required 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 12, 2011, 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.

December 12, 2011

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

Management's Discussion and Analysis

Fiscal Year Ending June 30, 2011

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, 2011. 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, 2011 the general fund balance increased by \$503,683.

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 \$8,659,460 and total revenue for the year was \$9,552,400.

## **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. The statement of net assets presents information on all the School'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**

As noted previously, net assets may serve over time as a useful indicator of the District's financial position. For the year ended June 30, 2011, the District's combined assets exceeded liabilities by \$10,314,279. Of this amount \$2,530,885 is unrestricted and is available to meet the District's ongoing financial obligations. \$5,886,733 is in capital assets net of related debt. In addition, \$115,066 is restricted for Colorado Preschool and Salida Early Head Start; \$1,476,595 is restricted for debt service; and \$305,000 is restricted for emergencies under TABOR.

	<b>Statement of net assets</b>			
	<b>GOVERNMENTAL ACTIVITIES</b>		<b>BUSINESS-TYPE ACTIVITIES</b>	
	<u>2009-2010</u>	<u>2010-2011</u>	<u>2009-2010</u>	<u>2010-2011</u>
<b>ASSETS</b>				
Current Assets	\$ 5,391,063	\$25,374,650	\$85,774	\$96,821
Capital Assets, Net of Accumulated Depreciation	<u>7,044,210</u>	<u>9,330,999</u>	<u>3,037</u>	<u>2,278</u>
<b>TOTAL ASSETS</b>	<u>12,435,273</u>	<u>\$34,705,649</u>	<u>88,811</u>	<u>99,099</u>
<b>LIABILITIES</b>				
Current Liabilities	1,182,881	1,925,960	34,621	41,810
NonCurrent Liabilities	<u>5,139,368</u>	<u>22,513,245</u>	<u>15,633</u>	<u>9,454</u>
<b>TOTAL LIABILITIES</b>	<u>6,322,249</u>	<u>24,439,205</u>	<u>50,254</u>	<u>51,264</u>
<b>NET ASSETS</b>				
Invested in Capital Assets, Net of Related Debt	3,043,735	5,884,455	3,037	2,278
Restricted	1,033,721	1,896,661	-	-
Unrestricted	<u>2,035,568</u>	<u>2,485,328</u>	<u>35,520</u>	<u>45,557</u>
<b>TOTAL NET ASSETS</b>	<u>\$6,113,024</u>	<u>\$10,266,444</u>	<u>\$38,557</u>	<u>\$47,835</u>

Governmental activities increased the Salida School District's net assets by \$4,153,420. The approval and passing of the BEST grant to build a new High School being the contributing factor to the increase. Business-type activities increased the net assets by \$9,278.

	GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES	
	2009-2010	2010-2011	2009-2010	2010-2011
Program revenues:				
Charges for service	\$ 58,021	\$ 52,664	\$162,153	\$131,757
Operating grants & contributions	1,806,761	2,446,861	208,899	270,330
Capital grants & contributions		2,395,314		
General revenues:				
Property Taxes	5,052,265	6,430,023	-	-
Specific ownership taxes	630,212	550,361	-	-
State equalization	4,261,089	3,541,876	-	-
Other revenues	598,051	708,816	-	-
Earnings on Investments	<u>30,670</u>	<u>30,738</u>	<u>19</u>	<u>20</u>
<b>TOTAL REVENUES</b>	<b><u>12,437,069</u></b>	<b><u>\$16,156,653</u></b>	<b><u>\$371,071</u></b>	<b><u>\$402,107</u></b>
Expenses:				
Instruction	7,043,581	6,460,334	-	-
Supporting Services	4,504,555	4,896,063	-	-
Interest and Fiscal Charges	202,894	571,836	-	-
Food Service	-	-	<u>452,627</u>	<u>467,829</u>
<b>TOTAL EXPENSES</b>	<b><u>11,751,030</u></b>	<b><u>\$11,928,233</u></b>	<b><u>452,627</u></b>	<b><u>467,829</u></b>
<b>TRANSFERS</b>	<b><u>( 85,000)</u></b>	<b><u>(75,000)</u></b>	<b><u>85,000</u></b>	<b><u>75,000</u></b>
<b>CHANGE IN NET ASSETS</b>	<b>601,039</b>	<b>4,153,420</b>	<b>3,444</b>	<b>9,278</b>
<b>NET ASSETS, Beginning</b>	<b><u>5,511,985</u></b>	<b><u>6,113,024</u></b>	<b><u>35,113</u></b>	<b><u>38,557</u></b>
<b>NET ASSETS, Ending</b>	<b><u>\$6,113,024</u></b>	<b><u>\$10,266,444</u></b>	<b><u>\$38,557</u></b>	<b><u>\$ 47,835</u></b>

The most significant change from last year was the increase to Property Taxes and one time State Fiscal Stabilization and federal Education Jobs revenue, and BEST revenue to replace the roof at the Salida Middle School and begin construction of the new high school.

### 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, unrestricted 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 \$23,083,484: General Fund \$3,272,239; Bond Redemption \$1,432,540; Grant Fund \$85,259; Building Fund \$17,961,801 and Other Governmental Funds \$331,645. This was an increase of \$19,245,955 from the previous fiscal year primarily because of the issuance of debt to construct a new high school.

**Enterprise Fund.** The District Food Service Fund ended the current fiscal year with net assets of \$47,835, which is an increase of \$9,278 from the previous year. The food service saw an increase in donated commodities; the General Fund decreased the subsidy to \$75,000, a decrease of \$10,000 from the previous year; and eligible students qualifying for free and reduced meals increased.

## **General Fund Budgetary Highlights**

General Fund revenues budgeted were \$9,660,332 and actual revenues were \$9,552,400. The District budgeted for General Fund expenditures and transfers out of \$9,756,831, for the year ended June 30, 2011. Actual expenditures and transfers out were \$9,048,717. The original budgeted expenditures were decreased in the final budget because the District approved a spending freeze; and costs to replace the middle school roof decreased when the BEST grant was received. Receipt of State Fiscal Stabilization and Education Jobs grants allowed the District, for FY2010-2011 only, to subsidize health benefits.

## **Capital Assets**

Salida Early Childhood Center added one classroom, office space, a gym and remodeled the kitchen for a total cost of \$349,459; purchased new playground equipment \$38,194. The district purchased four (4) buses to include retarders and chains for a combined total of \$103,039; replaced the Salida Middle School roof \$299,445; construction began on the new high school and will be complete for faculty and students to start a new school year in the fall semester 2012 with a current cost of \$1,867,893. Please see note 3 in the financial statements for more information.

## **Long-Term Debt**

As of June 30, 2011 the Salida School District R-32-J had long-term debt of \$22,513,245. The state issued \$17,961,801 long-term debt on behalf of the District to construct a new high school. Please see note 4 in the financial statements for more information.

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

The primary factor driving the budget for the Salida School District R-32-J is student enrollment and continued state budget decreases to K-12 public education. Funded pupil count for the 2010-2011 school year was 1074.6. The funded pupil count projected for the 2011-2012 school year is 1069.3. This factor was considered in preparing the District's budget for 2011-2012.

## **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 9<sup>th</sup> Street  
Salida, CO 81201

## **BASIC FINANCIAL STATEMENTS**

## SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF NET ASSETS

June 30, 2011

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 5,625,200	\$ 82,638	\$ 5,707,838
Cash with Fiscal Agent	17,961,801	-	17,961,801
Accounts Receivable	10,701	-	10,701
Taxes Receivable	750,796	-	750,796
Grants Receivable	995,578	1,047	996,625
Inventories	-	13,136	13,136
Bond Issuance Costs, Net of Accumulated Amortization	30,574	-	30,574
Capital Assets, Net of Accumulated Depreciation	9,330,999	2,278	9,333,277
	<u>34,705,649</u>	<u>99,099</u>	<u>34,804,748</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Accounts Payable	974,242	16,869	991,111
Accrued Salaries and Benefits	839,360	24,941	864,301
Deferred Revenues	39,851	-	39,851
Accrued Interest Payable	72,507	-	72,507
Noncurrent Liabilities			
Due Within One Year	1,380,914	-	1,380,914
Due in More Than One Year	21,132,331	9,454	21,141,785
	<u>24,439,205</u>	<u>51,264</u>	<u>24,490,469</u>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	5,884,455	2,278	5,886,733
Restricted for Preschool	29,807	-	29,807
Restricted for Emergencies	305,000	-	305,000
Restricted for Head Start	85,259	-	85,259
Restricted for Debt Service	1,476,595	-	1,476,595
Unrestricted	2,485,328	45,557	2,530,885
	<u>10,266,444</u>	<u>47,835</u>	<u>10,314,279</u>
<b>TOTAL NET ASSETS</b>			

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, 2011

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
Instruction	\$ 6,460,334	\$ 52,664	\$ 1,596,877	\$ -
Supporting Services	4,896,063	-	849,984	2,395,314
Interest and Fiscal Charges	571,836	-	-	-
Total Governmental Activities	11,928,233	52,664	2,446,861	2,395,314
<b>Business-Type Activities</b>				
Food Service	467,829	131,757	270,330	-
Total Business-Type Activities	467,829	131,757	270,330	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 12,396,062</b>	<b>\$ 184,421</b>	<b>\$ 2,717,191</b>	<b>\$ 2,395,314</b>

GENERAL REVENUES

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
\$ (4,810,793)	\$ -	\$ (4,810,793)
(1,650,765)	-	(1,650,765)
<u>(571,836)</u>	<u>-</u>	<u>(571,836)</u>
 (7,033,394)	 -	 (7,033,394)
 -	 (65,742)	 (65,742)
 -	 (65,742)	 (65,742)
<u>(7,033,394)</u>	<u>(65,742)</u>	<u>(7,099,136)</u>
 6,430,023	 -	 6,430,023
550,361	-	550,361
3,541,876	-	3,541,876
522,148	-	522,148
30,738	20	30,758
186,668	-	186,668
<u>(75,000)</u>	<u>75,000</u>	<u>-</u>
 11,186,814	 75,020	 11,261,834
 4,153,420	 9,278	 4,162,698
 6,113,024	 38,557	 6,151,581
<u>\$ 10,266,444</u>	<u>\$ 47,835</u>	<u>\$ 10,314,279</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2011

	<u>GENERAL</u>	<u>HEAD START</u>	<u>BOND REDEMPTION</u>	<u>BUILDING</u>
<b>ASSETS</b>				
Cash and Investments	\$ 3,869,396	\$ 85,259	\$ 1,331,679	\$ -
Cash with Fiscal Agent	-	-	-	17,961,801
Accounts Receivable	10,701	-	-	-
Taxes Receivable	533,373	-	217,423	-
Grants Receivable	8,212	-	-	916,127
<b>TOTAL ASSETS</b>	<u>\$ 4,421,682</u>	<u>\$ 85,259</u>	<u>\$ 1,549,102</u>	<u>\$ 18,877,928</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 34,522	\$ -	\$ -	\$ 916,127
Accrued Salaries and Benefits	811,245	-	-	-
Deferred Revenues	303,676	-	116,562	-
<b>TOTAL LIABILITIES</b>	<u>1,149,443</u>	<u>-</u>	<u>116,562</u>	<u>916,127</u>
<b>FUND BALANCES</b>				
Restricted for Preschool	29,807	-	-	-
Restricted for Emergencies	305,000	-	-	-
Restricted for Head Start	-	85,259	-	-
Restricted for Debt Service	-	-	1,432,540	-
Restricted for Capital Projects	-	-	-	17,961,801
Assigned to Grant Programs	-	-	-	-
Assigned to Capital Projects	-	-	-	-
Unrestricted, Unassigned	2,937,432	-	-	-
<b>TOTAL FUND BALANCES</b>	<u>3,272,239</u>	<u>85,259</u>	<u>1,432,540</u>	<u>17,961,801</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,421,682</u>	<u>\$ 85,259</u>	<u>\$ 1,549,102</u>	<u>\$ 18,877,928</u>

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

**Total Fund Balances of Governmental Funds**

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Certain long-term assets are not available to pay current year expenditures and, therefore, are deferred in the funds.  
This amount represents property taxes not available as current financial resources.

Long-term liabilities and related items, including bonds (\$21,461,801), bond premium (\$34,300), deferred amount on refunding \$188,723, capital leases (\$131,541), compensated absences (\$293,636), severance (\$780,690), accrued interest payable (\$72,507) and bond issuance costs \$30,574, are not due and payable in the current year and, therefore, are not reported in the funds.

**Total Net Assets of Governmental Activities**

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

OTHER GOVERNMENTAL		
<u>FUNDS</u>		<u>TOTAL</u>
\$ 338,866	\$	5,625,200
-		17,961,801
-		10,701
-		750,796
<u>71,239</u>		<u>995,578</u>
<u>\$ 410,105</u>	<u>\$</u>	<u>25,344,076</u>

\$ 23,593	\$	974,242
28,115		839,360
<u>26,752</u>		<u>446,990</u>
<u>78,460</u>		<u>2,260,592</u>

-		29,807
-		305,000
-		85,259
-		1,432,540
-		17,961,801
55,109		55,109
276,536		276,536
<u>-</u>		<u>2,937,432</u>
<u>331,645</u>		<u>23,083,484</u>
<u>\$ 410,105</u>	<u>\$</u>	<u>25,344,076</u>

\$ 23,083,484

9,330,999

407,139

(22,555,178)

\$ 10,266,444

SALIDA SCHOOL DISTRICT NUMBER R-32-J

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2011

	<u>GENERAL</u>	<u>HEAD START</u>	<u>BOND REDEMPTION</u>	<u>BUILDING</u>
REVENUES				
Local Sources	\$ 5,384,641	\$ 465,701	\$ 1,805,026	\$ -
County Sources	228,850	-	-	-
State Sources	3,908,427	-	-	1,867,894
Federal Sources	<u>30,482</u>	<u>1,490,372</u>	<u>-</u>	<u>-</u>
 TOTAL REVENUES	 <u>9,552,400</u>	 <u>1,956,073</u>	 <u>1,805,026</u>	 <u>1,867,894</u>
EXPENDITURES				
Current				
Instruction	5,480,943	276,306	-	-
Supporting Services	3,320,097	1,268,599	-	-
Capital Outlay	-	396,382	-	1,867,894
Debt Service				
Principal	125,360	-	455,000	-
Interest and Fiscal Charges	<u>12,667</u>	<u>-</u>	<u>477,541</u>	<u>-</u>
 TOTAL EXPENDITURES	 <u>8,939,067</u>	 <u>1,941,287</u>	 <u>932,541</u>	 <u>1,867,894</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>613,333</u>	 <u>14,786</u>	 <u>872,485</u>	 <u>-</u>
OTHER FINANCING SOURCES (USES)				
Debt Issued	-	-	-	17,961,801
Transfers In	-	-	-	-
Transfers Out	<u>(109,650)</u>	<u>-</u>	<u>-</u>	<u>-</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(109,650)</u>	 <u>-</u>	 <u>-</u>	 <u>17,961,801</u>
 NET CHANGE IN FUND BALANCES	 503,683	 14,786	 872,485	 17,961,801
FUND BALANCES, Beginning	<u>2,768,556</u>	<u>70,473</u>	<u>560,055</u>	<u>-</u>
FUND BALANCES, Ending	<u>\$ 3,272,239</u>	<u>\$ 85,259</u>	<u>\$ 1,432,540</u>	<u>\$ 17,961,801</u>

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

OTHER GOVERNMENTAL FUNDS	TOTAL
\$ 2,335	\$ 7,657,703
-	228,850
64,264	5,840,585
<u>850,173</u>	<u>2,371,027</u>
916,772	16,098,165
701,212	6,458,461
253,040	4,841,736
103,970	2,368,246
-	580,360
<u>-</u>	<u>490,208</u>
1,058,222	14,739,011
(141,450)	1,359,154
-	17,961,801
34,650	34,650
<u>-</u>	<u>(109,650)</u>
34,650	17,886,801
(106,800)	19,245,955
<u>438,445</u>	<u>3,837,529</u>
\$ <u>331,645</u>	\$ <u>23,083,484</u>

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, 2011

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

Net Change in Fund Balances of Governmental Funds	\$ 19,245,955
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 are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$2,674,960 exceeded depreciation expense (\$388,171) in the current year.	2,286,789
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.	58,488
Repayments of bond principal \$455,000 and capital lease payments \$125,360 are expenditures in governmental funds but reduce long-term liabilities in the statement of net assets and do not affect the statement of activities.	580,360
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 (\$49,791), severance \$79,416, and accrued interest payable (\$59,567).	(29,942)
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: debt proceeds (\$17,961,801), amortization of bond issuance costs (\$4,368), amortization of bond premium \$4,900, and amortization of deferred amount on refunding (\$26,961).	<u>(17,988,230)</u>
Change in Net Assets of Governmental Activities	<u>\$ 4,153,420</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, 2011

	<u>FOOD SERVICE</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Cash and Investments	\$ 82,638
Grants Receivable	1,047
Inventories	<u>13,136</u>
Total Current Assets	96,821
<b>NONCURRENT ASSETS</b>	
Capital Assets, Net of Accumulated Depreciation	<u>2,278</u>
TOTAL ASSETS	<u>99,099</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accounts Payable	16,869
Accrued Salaries and Benefits	<u>24,941</u>
Total Current Liabilities	41,810
<b>LONG-TERM LIABILITIES</b>	
Accrued Compensated Absences	<u>9,454</u>
TOTAL LIABILITIES	<u>51,264</u>
<b>NET ASSETS</b>	
Invested in Capital Assets	2,278
Unrestricted	<u>45,557</u>
TOTAL NET ASSETS	<u>\$ 47,835</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, 2011

	<u>FOOD SERVICE</u>
OPERATING REVENUES	
Charges for Services	
Student Lunches	\$ <u>131,757</u>
OPERATING EXPENSES	
Salaries	140,793
Employee Benefits	66,242
Commodities	19,637
Supplies and Materials	222,465
Property	6,206
Depreciation	759
Other	<u>11,727</u>
TOTAL OPERATING EXPENSES	<u>467,829</u>
OPERATING INCOME (LOSS)	<u>(336,072)</u>
NONOPERATING INCOME	
Federal Sources	
School Breakfast and Lunch Program	242,095
Donated Commodities	19,637
State Sources	8,598
Investment Income	<u>20</u>
TOTAL NONOPERATING INCOME	<u>270,350</u>
NET INCOME (LOSS) BEFORE TRANSFERS	(65,722)
Transfers In	<u>75,000</u>
CHANGE IN NET ASSETS	9,278
NET ASSETS, Beginning	<u>38,557</u>
NET ASSETS, Ending	\$ <u><u>47,835</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, 2011

	<u>FOOD SERVICE</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Sale of Meals	\$ 131,757
Cash Paid to Suppliers	(224,908)
Cash Paid to Employees	<u>(222,894)</u>
Net Cash Used for Operating Activities	<u>(316,045)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>	
Cash Received from Federal and State Grants	249,646
Cash Received from Other Funds	<u>75,000</u>
Net Cash Provided by Noncapital Financing Activities	<u>324,646</u>
<b>CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	
Interest Received	<u>20</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	8,621
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>74,017</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u>\$ 82,638</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED FOR OPERATING ACTIVITIES</b>	
Operating Income (Loss)	\$ (336,072)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Used for Operating Activities	
Depreciation Expense	759
Donated Commodities	19,637
Changes in Assets and Liabilities	
Inventories	(1,379)
Accounts Payable	16,869
Accrued Salaries and Benefits	<u>(15,859)</u>
Net Cash Used for Operating Activities	<u>\$ (316,045)</u>
<b>NON-CASH ACTIVITIES</b>	
Commodities Received	<u>\$ 19,637</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, 2011

	<u>PUPIL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ <u>534,332</u>
LIABILITIES	
Held for Student Scholarships	398,066
Due to Student Groups	<u>136,266</u>
TOTAL LIABILITIES	\$ <u><u>534,332</u></u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**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, 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 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 reasonably 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, 2011

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

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

The *Head Start Fund* accounts for the activities of the District's head start program, which currently includes the construction of a facility addition.

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

The *Building Fund* accounts for expenditures related to major capital projects financed by debt proceeds.

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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

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. Donated commodities, received at no cost under a program supported by the federal government, are valued based upon the cost furnished by the federal government.

*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 \$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 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 is depreciated using the straight-line method over the following estimated useful lives.

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

*Deferred Revenues* - Deferred revenues include grants 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 governmental fund financial statements.

*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, vacation and other compensated absences vest immediately. 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

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

*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. Debt premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the debt 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 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 actual debt proceeds, are reported as current expenditures.

*Net Assets/Fund Balances* - In the government-wide and fund financial statements, net assets and fund balances are restricted when constraints placed on the use of resources are externally imposed.

In the fund financial statements, governmental funds report committed fund balances when the Board of Education formally commits resources for a specific purpose through passage of a resolution. Assigned fund balances are reported when the Board of Education intends to use resources for a specific purpose but without a formal 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, the District uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**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, 2011

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments at June 30, 2011, consisted of the following:

Cash	\$ 125
Deposits	1,675,743
Investments	<u>4,566,302</u>
Total	<u><b>\$ 6,242,170</b></u>

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

Cash and Investments	\$ 5,707,838
Fiduciary Fund Cash and Investments	<u>534,332</u>
Total	<u><b>\$ 6,242,170</b></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, 2011, the District had bank deposits of \$1,159,762 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, 2011

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

**Investments (Continued)**

*Credit Risk* - State statutes allow investments with specified ratings provided by nationally recognized statistical rating organizations. At June 30, 2011, the District had \$39,935 invested in an equity mutual fund that was not rated. This fund is used to invest student scholarship money, and may not be allowed by State statutes.

*Concentration of Credit Risk* - State statutes generally do not limit the amount the District may invest in a single issuer of investment securities.

*Local Government Investment Pools* - At June 30, 2011, the District had \$189,066 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), and \$4,337,301 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 in conformity with the Securities and Exchange Commission's Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended. 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.

**Cash with Fiscal Agent**

At June 30, 2011, the District had debt proceeds of \$17,961,801 held by the trustee (See Note 4).

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2011, was as follows:

	Balance 6/30/10	Additions	Deletions	Balance 6/30/11
<b>Governmental Activities</b>				
Capital Assets, Not Being Depreciated				
Land and Sites	\$ 557,150	\$ -	\$ -	\$ 557,150
Construction in Progress	-	1,867,893	-	1,867,893
Total Capital Assets, Not Being Depreciated	<u>557,150</u>	<u>1,867,893</u>	<u>-</u>	<u>2,425,043</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	9,943,547	648,904	-	10,592,451
Transportation Equipment	476,604	104,539	-	581,143
Other Equipment	498,423	53,624	-	552,047
Total Capital Assets, Being Depreciated	<u>10,918,574</u>	<u>807,067</u>	<u>-</u>	<u>11,725,641</u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**NOTE 3: CAPITAL ASSETS (Continued)**

	<u>Balance</u> 6/30/10	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> 6/30/11
Less Accumulated Depreciation				
Buildings and Improvements	(3,546,868)	(353,070)	-	(3,899,938)
Transportation Equipment	(447,461)	(19,468)	-	(466,929)
Other Equipment	(437,185)	(15,633)	-	(452,818)
Total Accumulated Depreciation	<u>(4,431,514)</u>	<u>(388,171)</u>	<u>-</u>	<u>(4,819,685)</u>
 Total Capital Assets, Being Depreciated, Net	 <u>6,487,060</u>	 <u>418,896</u>	 <u>-</u>	 <u>6,905,956</u>
 Governmental Activities Capital Assets, Net	 <u><b>\$ 7,044,210</b></u>	 <u><b>\$ 2,286,789</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 9,330,999</b></u>
 <b>Business-Type Activities</b>				
Capital Assets, Being Depreciated				
Equipment	\$ 27,893	\$ -	\$ -	\$ 27,893
Accumulated Depreciation	<u>(24,856)</u>	<u>(759)</u>	<u>-</u>	<u>(25,615)</u>
 Business-Type Activities Capital Assets, Net	 <u><b>\$ 3,037</b></u>	 <u><b>\$ (759)</b></u>	 <u><b>\$ -</b></u>	 <u><b>\$ 2,278</b></u>

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

Governmental Activities	
Instruction	\$ 31,498
Supporting Services	<u>356,673</u>
 Total	 <u><b>\$ 388,171</b></u>

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2011.

	<u>Balance</u> 6/30/10	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> 6/30/11	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
2010 General Obligation Debt	\$ -	\$ 17,961,801	\$ -	\$ 17,961,801	\$ 626,449
2004 General Obligation Bonds	3,955,000	-	455,000	3,500,000	475,000
Bond Premium	39,200	-	4,900	34,300	-
Deferred Amount on Refunding	(215,684)	-	(26,961)	(188,723)	-
Capital Leases	256,901	-	125,360	131,541	131,541
Compensated Absences	243,845	125,288	75,497	293,636	67,971
Severance	<u>860,106</u>	<u>-</u>	<u>79,416</u>	<u>780,690</u>	<u>79,953</u>
 Total	 <u><b>\$ 5,139,368</b></u>	 <u><b>\$ 18,087,089</b></u>	 <u><b>\$ 713,212</b></u>	 <u><b>\$ 22,513,245</b></u>	 <u><b>\$ 1,380,914</b></u>

SALIDA SCHOOL DISTRICT NUMBER R-32-J

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

**General Obligation Debt**

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 received grant funding of \$13,206,780 under the State's Building Excellent Schools Today (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. Payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 626,449	\$ 720,415	\$ 1,346,864
2013	621,471	694,945	1,316,416
2014	646,839	669,059	1,315,898
2015	673,243	642,116	1,315,359
2016	700,725	614,073	1,314,798
2017 - 2021	3,956,756	2,607,984	6,564,740
2022 - 2026	4,833,007	1,713,849	6,546,856
2027 - 2031	<u>5,903,311</u>	<u>621,702</u>	<u>6,525,013</u>
Total	<b><u>\$ 17,961,801</u></b>	<b><u>\$ 8,284,143</u></b>	<b><u>\$ 26,245,944</u></b>

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>
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	550,000	47,400	597,400
2017 - 2018	<u>945,000</u>	<u>33,544</u>	<u>978,544</u>
Total	<b><u>\$ 3,500,000</u></b>	<b><u>\$ 471,295</u></b>	<b><u>\$ 3,971,295</u></b>

**Capital Leases**

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>
2012	<b><u>\$ 131,541</u></b>	<b><u>\$ 6,486</u></b>	<b><u>\$ 138,027</u></b>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

**Compensated Absences and Severance**

Compensated absences and severance 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,

2012	\$ 79,953
2013	79,953
2014	82,872
2015	79,952
2016	79,952
2017 - 2021	<u>378,008</u>
Total	<u><b>\$ 780,690</b></u>

**NOTE 5: INTERFUND TRANSACTIONS**

Interfund transfers for the year ended June 30, 2011, were comprised of the following:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Capital Reserve	General	\$ 34,650
Food Service	General	<u>75,000</u>
Total		<u><b>\$ 109,650</b></u>

During the year ended June 30, 2011, the General Fund transferred certain amounts to the Capital Reserve Fund, primarily for the acquisition of vehicles and equipment. Annually, the General Fund subsidizes the operations of the Food Service Fund.

**NOTE 6: JOINTLY GOVERNED ORGANIZATION**

The District, in conjunction with other surrounding districts, created the Mountain Board of Cooperative Educational Services (BOCES). The BOCES is an organization that provides member districts educational services at a shared lower cost per district. The BOCES board is comprised of one member from each participating district. During the year ended June 30, 2011, the District contributed \$25,164 to the BOCES. The BOCES financial statements can be obtained at their administrative office located at 1713 Mt. Lincoln Drive W., Leadville, Colorado 80461.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

**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). The SDTF provides retirement and disability, 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 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

*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 salaries. The District's contribution rate for calendar years 2009, 2010 and 2011 was 12.95%, 13.85% and 14.75% of covered salaries, respectively. A portion of the District's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). The District's contributions to the SDTF for the years ended June 30, 2011, 2010 and 2009 were \$816,319, \$783,964 and \$691,694, respectively, equal to the required contributions for each year.

**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 is required to contribute at a rate of 1.02% of covered salaries 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 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, 2011, 2010 and 2009 was \$58,218, \$59,655 and \$56,390, 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, 2011, 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

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

**Tabor Amendment**

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

The Amendment is subject to many interpretations, but the District believes it is in substantial compliance with the Amendment. As required by the Amendment, the District has established a reserve for emergencies of \$305,000 at June 30, 2011. This reserve is reported as restricted fund balance in the General Fund.

**NOTE 10: RESTATEMENT**

For the year ended June 30, 2011, the District adopted the standards of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. As a result, the Severance Fund was merged with the General Fund for reporting purposes, as follows.

	<u>General</u>	<u>Severance</u>	<u>Total</u>
Fund Balances, June 30, 2010, as Originally Stated	\$ 2,656,736	\$ 111,820	\$ 2,768,556
Merger	<u>111,820</u>	<u>(111,820)</u>	<u>-</u>
Fund Balances, June 30, 2010, as Restated	<u>\$ 2,768,556</u>	<u>\$ -</u>	<u>\$ 2,768,556</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources				
Property Taxes	\$ 4,611,102	\$ 4,702,185	\$ 4,567,223	\$ (134,962)
Specific Ownership Taxes	419,920	419,920	550,361	130,441
Tuition	39,375	39,375	52,664	13,289
Investment Income	7,453	4,068	27,725	23,657
Other	321,300	321,300	186,668	(134,632)
Total Local Sources	<u>5,399,150</u>	<u>5,486,848</u>	<u>5,384,641</u>	<u>(102,207)</u>
County Sources	<u>2,925</u>	<u>237,321</u>	<u>228,850</u>	<u>(8,471)</u>
State Sources				
State Equalization	3,981,446	3,546,791	3,541,876	(4,915)
Exceptional Children's Education Act (ECEA)	160,318	165,208	171,365	6,157
English Language Proficiency Act (ELPA)	2,000	2,000	1,394	(606)
Transportation	43,000	38,612	40,430	1,818
Other	9,800	151,511	153,362	1,851
Total State Sources	<u>4,196,564</u>	<u>3,904,122</u>	<u>3,908,427</u>	<u>4,305</u>
Federal Sources				
Medicaid	22,500	22,500	17,858	(4,642)
Other	9,541	9,541	12,624	3,083
Total Federal Sources	<u>32,041</u>	<u>32,041</u>	<u>30,482</u>	<u>(1,559)</u>
<b>TOTAL REVENUES</b>	<u>9,630,680</u>	<u>9,660,332</u>	<u>9,552,400</u>	<u>(107,932)</u>
<b>EXPENDITURES</b>				
Instruction	5,894,745	5,678,146	5,480,943	197,203
Supporting Services				
Students	312,858	256,336	253,147	3,189
Instructional Staff	193,956	193,906	169,046	24,860
General Administration	501,960	570,351	561,022	9,329
School Administration	511,634	511,434	537,034	(25,600)
Business Services	135,106	135,106	132,745	2,361
Operations and Maintenance	1,089,980	1,075,070	976,148	98,922
Student Transportation	346,910	346,910	283,542	63,368
Central Support	251,200	249,021	215,038	33,983
Other Support	70,499	72,862	36,195	36,667
Facility Acquisition	350,000	350,000	156,180	193,820
Debt Service	138,027	138,027	138,027	-
Reserves	60,012	60,012	-	60,012
<b>TOTAL EXPENDITURES</b>	<u>9,856,887</u>	<u>9,637,181</u>	<u>8,939,067</u>	<u>698,114</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(226,207)</u>	<u>23,151</u>	<u>613,333</u>	<u>590,182</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>(119,650)</u>	<u>(119,650)</u>	<u>(109,650)</u>	<u>10,000</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>(345,857)</u>	<u>(96,499)</u>	<u>503,683</u>	<u>600,182</u>
<b>FUND BALANCE, Beginning</b>	<u>2,294,165</u>	<u>2,535,724</u>	<u>2,768,556</u>	<u>232,832</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 1,948,308</u>	<u>\$ 2,439,225</u>	<u>\$ 3,272,239</u>	<u>\$ 833,014</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

HEAD START FUND

Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>REVENUES</b>				
Local Sources				
Grants	\$ -	\$ -	\$ 100,144	\$ 100,144
In-Kind Contributions	90,551	98,333	365,557	267,224
Investment Income	147	147	-	(147)
Federal Sources				
Grants	<u>364,066</u>	<u>368,269</u>	<u>1,490,372</u>	<u>1,122,103</u>
<b>TOTAL REVENUES</b>	<u>454,764</u>	<u>466,749</u>	<u>1,956,073</u>	<u>1,489,324</u>
<b>EXPENDITURES</b>				
Instruction				
Salaries	81,864	85,768	182,801	(97,033)
Employee Benefits	22,855	22,279	61,353	(39,074)
Supplies and Materials	3,507	3,507	32,152	(28,645)
Total Instruction	<u>108,226</u>	<u>111,554</u>	<u>276,306</u>	<u>(164,752)</u>
Supporting Services				
Salaries	124,251	124,251	319,006	(194,755)
Employee Benefits	22,118	22,118	72,217	(50,099)
Purchased Services	189,222	191,613	854,262	(662,649)
Supplies and Materials	10,800	10,800	21,921	(11,121)
Other	-	-	1,193	(1,193)
Total Supporting Services	<u>346,391</u>	<u>348,782</u>	<u>1,268,599</u>	<u>(919,817)</u>
Capital Outlay				
	<u>-</u>	<u>-</u>	<u>396,382</u>	<u>(396,382)</u>
<b>TOTAL EXPENDITURES</b>	<u>454,617</u>	<u>460,336</u>	<u>1,941,287</u>	<u>(1,480,951)</u>
<b>NET CHANGE IN FUND BALANCE</b>	147	6,413	14,786	8,373
FUND BALANCE, Beginning	<u>48,139</u>	<u>70,473</u>	<u>70,473</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 48,286</u>	<u>\$ 76,886</u>	<u>\$ 85,259</u>	<u>\$ 8,373</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
June 30, 2011

**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, whereby capital outlay is budgeted as an expense but depreciation is not budgeted.

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.
- 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.

**Legal Compliance**

For the year ended June 30, 2011, the Head Start and Capital Reserve Fund expenditures exceeded the amounts budgeted by \$1,480,951 and \$18,120, respectively. These may be violations of State statutes.

**COMBINING AND INDIVIDUAL FUND FINANCIAL STATEMENTS AND SCHEDULES**

## SALIDA SCHOOL DISTRICT NUMBER R-32-J

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
 June 30, 2011

	<u>GRANTS</u>	<u>CAPITAL RESERVE</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash and Investments	\$ 62,330	\$ 276,536	\$ 338,866
Grants Receivable	<u>71,239</u>	<u>-</u>	<u>71,239</u>
<b>TOTAL ASSETS</b>	<u>\$ 133,569</u>	<u>\$ 276,536</u>	<u>\$ 410,105</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 23,593	\$ -	\$ 23,593
Accrued Salaries and Benefits	28,115	-	28,115
Deferred Revenues	<u>26,752</u>	<u>-</u>	<u>26,752</u>
<b>TOTAL LIABILITIES</b>	<u>78,460</u>	<u>-</u>	<u>78,460</u>
<b>FUND BALANCES</b>			
Assigned to Grant Programs	55,109	-	55,109
Assigned to Capital Projects	<u>-</u>	<u>276,536</u>	<u>276,536</u>
<b>TOTAL FUND BALANCES</b>	<u>55,109</u>	<u>276,536</u>	<u>331,645</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 133,569</u>	<u>\$ 276,536</u>	<u>\$ 410,105</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, 2011

	GRANTS	CAPITAL RESERVE	TOTAL
REVENUES			
Local Sources	\$ 36	\$ 2,299	\$ 2,335
State Sources	64,264	-	64,264
Federal Sources	850,173	-	850,173
 TOTAL REVENUES	 914,473	 2,299	 916,772
EXPENDITURES			
Current			
Instruction	701,212	-	701,212
Supporting Services	253,040	-	253,040
Capital Outlay	-	103,970	103,970
 TOTAL EXPENDITURES	 954,252	 103,970	 1,058,222
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (39,779)	 (101,671)	 (141,450)
OTHER FINANCING SOURCES			
Transfers In	-	34,650	34,650
 NET CHANGE IN FUND BALANCES	 (39,779)	 (67,021)	 (106,800)
FUND BALANCES, Beginning	94,888	343,557	438,445
FUND BALANCES, Ending	\$ 55,109	\$ 276,536	\$ 331,645

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE

GRANTS FUND

Year Ended June 30, 2011

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
Local Sources	\$ -	\$ -	\$ 36	\$ 36
State Grants	9,272	90,440	64,264	(26,176)
Federal Grants	536,626	928,737	850,173	(78,564)
<b>TOTAL REVENUES</b>	<u>545,898</u>	<u>1,019,177</u>	<u>914,473</u>	<u>(104,704)</u>
<b>EXPENDITURES</b>				
<b>Instruction</b>				
Salaries	64,380	95,330	73,678	21,652
Employee Benefits	-	325,523	263,658	61,865
Purchased Services	-	14,885	14,886	(1)
Supplies and Materials	5,000	8,692	14,794	(6,102)
Property	-	-	308	(308)
Other	200,000	353,803	333,888	19,915
Total Instruction	<u>269,380</u>	<u>798,233</u>	<u>701,212</u>	<u>97,021</u>
<b>Supporting Services</b>				
Salaries	87,110	104,876	100,115	4,761
Employee Benefits	20,002	22,966	75,150	(52,184)
Purchased Services	74,964	25,050	12,561	12,489
Supplies and Materials	25,024	7,940	4,914	3,026
Other	60,146	60,112	60,300	(188)
Total Supporting Services	<u>267,246</u>	<u>220,944</u>	<u>253,040</u>	<u>(32,096)</u>
<b>TOTAL EXPENDITURES</b>	<u>536,626</u>	<u>1,019,177</u>	<u>954,252</u>	<u>64,925</u>
<b>NET CHANGE IN FUND BALANCE</b>	9,272	-	(39,779)	(39,779)
<b>FUND BALANCE, Beginning</b>	<u>101,074</u>	<u>94,888</u>	<u>94,888</u>	<u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 110,346</u>	<u>\$ 94,888</u>	<u>\$ 55,109</u>	<u>\$ (39,779)</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE  
BOND REDEMPTION FUND  
 Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Property Taxes	\$ 608,663	\$ 1,937,779	\$ 1,804,312	\$ (133,467)
Investment Income	<u>1,075</u>	<u>1,075</u>	<u>714</u>	<u>(361)</u>
TOTAL REVENUES	<u>609,738</u>	<u>1,938,854</u>	<u>1,805,026</u>	<u>(133,828)</u>
EXPENDITURES				
Debt Service				
Principal	455,000	1,081,449	455,000	626,449
Interest and Fiscal Charges	<u>141,491</u>	<u>844,642</u>	<u>477,541</u>	<u>367,101</u>
TOTAL EXPENDITURES	<u>596,491</u>	<u>1,926,091</u>	<u>932,541</u>	<u>993,550</u>
NET CHANGE IN FUND BALANCE	13,247	12,763	872,485	859,722
FUND BALANCE, Beginning	<u>563,862</u>	<u>560,055</u>	<u>560,055</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 577,109</u>	<u>\$ 572,818</u>	<u>\$ 1,432,540</u>	<u>\$ 859,722</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE  
BUILDING FUND  
 Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
State Sources				
State Grants	\$ -	\$ 13,206,780	\$ 1,867,894	\$ (11,338,886)
EXPENDITURES				
Capital Outlay	-	31,168,581	1,867,894	29,300,687
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	(17,961,801)	-	17,961,801
OTHER FINANCING SOURCES				
Debt Issued	-	17,961,801	17,961,801	-
NET CHANGE IN FUND BALANCE	-	17,961,801	17,961,801	17,961,801
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,961,801</u>	<u>\$ 17,961,801</u>

See the accompanying Independent Auditors' Report.

SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULE  
CAPITAL RESERVE FUND  
 Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Investment Income	\$ 4,388	\$ 4,388	\$ 2,299	\$ (2,089)
EXPENDITURES				
Capital Outlay				
Equipment	34,660	85,850	103,970	(18,120)
TOTAL EXPENDITURES	34,660	85,850	103,970	(18,120)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(30,272)	(81,462)	(101,671)	(20,209)
OTHER FINANCING SOURCES				
Transfers In	34,650	34,650	34,650	-
NET CHANGE IN FUND BALANCE	4,378	(46,812)	(67,021)	(20,209)
FUND BALANCE, Beginning	344,016	343,557	343,557	-
FUND BALANCE, Ending	<u>\$ 348,394</u>	<u>\$ 296,745</u>	<u>\$ 276,536</u>	<u>\$ (20,209)</u>

See the accompanying Independent Auditors' Report.

## SALIDA SCHOOL DISTRICT NUMBER R-32-J

BUDGETARY COMPARISON SCHEDULEFOOD SERVICE FUND

Year Ended June 30, 2011

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
<b>OPERATING REVENUES</b>				
Charges for Services				
Student Lunches	\$ 190,290	\$ 190,290	\$ 131,757	\$ (58,533)
Federal Sources				
School Breakfast and Lunch Program	187,932	187,932	242,095	54,163
Donated Commodities	18,000	18,000	19,637	1,637
State Grants	6,125	6,125	8,598	2,473
Investment Income	15	15	20	5
Transfers In	85,000	85,000	75,000	(10,000)
	<u>487,362</u>	<u>487,362</u>	<u>477,107</u>	<u>(10,255)</u>
<b>OPERATING EXPENSES</b>				
Salaries	140,728	140,728	140,793	(65)
Employee Benefits	80,230	80,230	66,242	13,988
Commodities	20,000	20,000	19,637	363
Supplies and Materials	233,710	233,710	222,465	11,245
Property	10,600	10,600	6,206	4,394
Other	2,094	2,094	11,727	(9,633)
	<u>487,362</u>	<u>487,362</u>	<u>467,070</u>	<u>20,292</u>
CHANGE IN NET ASSETS, Budgetary Basis	\$ <u>-</u>	\$ <u>-</u>	10,037	\$ <u>10,037</u>
<b>ADJUSTMENTS TO GAAP BASIS</b>				
Depreciation			<u>(759)</u>	
CHANGE IN NET ASSETS, GAAP Basis			9,278	
NET ASSETS, Beginning			<u>38,557</u>	
NET ASSETS, Ending			<u>\$ 47,835</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, 2011

	<u>BALANCE</u> 6/30/10	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/11
<b>Pupil Activity Fund</b>				
<b>ASSETS</b>				
Cash	\$ <u>281,451</u>	\$ <u>549,192</u>	\$ <u>296,311</u>	\$ <u>534,332</u>
<b>LIABILITIES</b>				
Held for Student Scholarships	177,406	230,497	9,837	398,066
Due to Student Groups	<u>104,045</u>	<u>318,695</u>	<u>286,474</u>	<u>136,266</u>
	\$ <u>281,451</u>	\$ <u>549,192</u>	\$ <u>296,311</u>	\$ <u>534,332</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, 2011, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 12, 2011. 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 and the Board of Education of the Salida School District Number R-32-J in a separate letter dated December 12, 2011.

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.

*Swanbunt & Company LLC*

December 12, 2011



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, 2011. 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, 2011.

**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.

*Ernst & Young LLP*

December 12, 2011

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2011

**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:

- 84.410 Education Jobs Fund
- 93.600 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, 2011, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 12, 2011. 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 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 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 12, 2011

SALIDA SCHOOL DISTRICT NUMBER R-32-J

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2011

Federal Grantor/Pass-through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal CFDA Number	Disbursements
<b>U.S. Department of Education</b>			
Passed through Colorado Department of Education			
Title I	4010	84.010	\$ 284,886
ARRA - Title 1	4389	84.389	24,561
Safe and Drug-Free Schools and Communities	4186	84.186	3,955
Education Technology	4318	84.318	3
ARRA - Education Technology	4386	84.386	3,728
English Language Acquisition	7365	84.365	7,502
Improving Teacher Quality	4367	84.367	80,047
ARRA - State Fiscal Stabilization Fund	4394	84.394	81,373
Education Jobs Fund	4410	84.410	211,925
Passed through Colorado Department of Human Services			
Vocational Rehabilitation		84.126	60,004
Passed through Colorado Community College System			
Tech Prep Education		84.243	<u>7,512</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>765,496</u>
<b>U.S. Department of Agriculture</b>			
Passed through Colorado Department of Human Services			
Donated Commodities		10.555	19,637
Passed through Colorado Department of Education			
School Breakfast Program	4553	10.553	92,472
National School Lunch Program	4555	10.555	149,623
Passed through Colorado Department of Public Health and Environment			
Child and Adult Care Food Program		10.558	<u>7,266</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>268,998</u>
<b>U.S. Department of Health and Human Services</b>			
Direct Programs			
Head Start		93.600	382,341
ARRA - Early Head Start		93.709	<u>1,100,765</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,483,106</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 2,517,600</u>

See the accompanying Independent Auditors' Report.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2011

**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, 2011, which collectively comprise the basic financial statements of the Salida School District Number R-32-J, and have issued our report thereon dated December 12, 2011. 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 12, 2011

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
<b>Governmental</b>				
10 General Fund	2,731,348	9,263,539	8,752,455	3,242,433
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	37,207	179,211	186,612	29,807
Subtotal	2,768,555	9,442,751	8,939,066	3,272,239
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	70,473	1,956,073	1,941,287	85,259
21 Capital Reserve Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	94,889	914,473	954,250	55,111
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	560,055	1,805,026	932,541	1,432,540
39 Non-Voter Approved Debt Service Fund	0	0	0	0
41 Building Fund	0	19,829,694	1,867,893	17,961,801
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	343,557	36,949	103,970	276,535
TOTALS	3,837,528	33,984,966	14,739,008	23,083,485
<b>Proprietary</b>				
51 Food Service Fund	38,556	477,107	467,829	47,835
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	38,556	477,107	467,829	47,835
<b>Fiduciary</b>				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	177,406	230,497	9,837	398,066
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	104,044	318,694	286,473	136,265
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
TOTALS	281,450	549,192	296,310	534,332

\*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.